

PROMISSORY NOTE
Bellingham Downpayment Assistance

Today's Date: _____ At _____, Washington

Property Address: _____
_____, _____

1. Borrower's Promise to Pay

In return for a loan received, I promise to pay to the order of the Washington State Housing Finance Commission ("the Lender"), the sum of _____ DOLLARS (US\$ _____), plus interest, by the terms of this Note. All amounts becoming due on this Note shall be payable without setoff or deduction for any reason.

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 "Holder." I also understand that the Lender may sell or transfer the servicing of this Note.

2. Interest

Interest will be charged on the unpaid principal balance, from the date of this Note until all principal is paid. I agree to pay interest at the rate of three percent (3%) per year calculated on a 365- or 366-day year. All payments of principal and interest shall be deferred for a period of 30 years from the date of this note. On the date 30 years after the date of this Note, all principal plus accrued interest shall be due. If I do not pay the full balance when it becomes due, I agree to pay the higher interest rate set forth in Section 13 of this Note on all amounts then outstanding.

3. Payment Terms

I agree to pay principal and interest as follows:
The payments on this Note are deferred for thirty years. I promise to pay all principal and interest still owing on _____, which is called the "Maturity Date."
I will make my payment at _____,
_____ or at a different place if required by the Note Holder.

4. Acceleration Upon Transfer or if Property is Not Borrower's Principal Residence

(A) Borrower Principal Residence. I understand that this loan is made with funds provided under a City of Bellingham and Washington State Housing Finance Commission program of down payment assistance for home buyers, the intent to finance the Property only so long as it is my principal residence. I represent that I am using the proceeds of this Note to buy a home, which is located at the address stated above, and that the home is to be used as my principal residence. That home, including land, building and improvements, is called the "Property." I agree that if at any time the Property is not my principal residence,

then the Holder shall have the right, at its option, to require me to pay in full all amounts owed on this Note, including principal and accrued interest, on thirty (30) days' notice. However, the Holder shall not exercise this option if such exercise is prohibited by federal law.

(B) Transfer of Property or Refinance or Prepayment of Primary Loan. I also agree that the Holder will have the option to require me to pay in full all amounts owed on this Note on thirty (30) days' notice if all or any part of the Property or any interest in the Property is sold or otherwise transferred without Holder's written consent, or if the Primary Loan is refinanced or paid in full. The "Primary Loan" is a loan to me secured by a first deed of trust on the Property. For purposes of this paragraph (B), a "transfer" includes, but is not limited to, any deed, real estate contract, lease, gift, inheritance or involuntary transfer such as by foreclosure sale. However, the Holder shall not exercise this option if such exercise is prohibited by federal law.

(C) Notice of Acceleration. If the Holder exercises its option to require payment in full of this Note as stated in paragraphs 4(A) or 4(B), the Holder shall give me notice of acceleration. The Holder may give this notice at any time after the event that allows the Holder the option described in paragraph 4(A) or 4(B). The notice shall provide a period of not less than 30 days from the date the notice is given within which I must pay all sums payable under this Note. If I fail to pay these sums by the end of this period, the Holder may take action to enforce this Note without further notice or demand. This action may include seeking to enforce the Deed of Trust that I have given on the Property.

(D) No Waiver. If the Holder agrees to permit any of the events described in paragraph 4(A) or 4(B) above without requiring full payment of this Note, that agreement shall not waive Holder's right to declare this Note due and payable in the event of any future event described in 4(A) or 4(B) above. This means, among other things, that if the Holder allows any transfer of the Property to someone who assumes this Note, without requiring full payment, then if there is a further transfer or if the Property later is not used as the principal residence of the family of the person that assumes this Note, the Holder may exercise its option to require full payment.

5. Right of Prepayment

A payment of principal or accrued interest before it is due is known as a "prepayment." I may make partial prepayments at any time without paying a prepayment charge. I may make a prepayment of all principal that I still owe, without prepayment charge, if I give the Holder at least thirty (30) days' advance written notice of my intent to make full prepayment. When I make a prepayment, I will so notify the Holder in writing. I may not designate a payment as a prepayment unless I have made all the monthly payments that have become due and payable under the Note. If I make a partial prepayment, that will not change the amounts of monthly payments required by this Note unless the Holder agrees in writing to those changes.

6. Application of Payments

Unless applicable law provides otherwise, all payments received by Lender under the Note and Section 1 of the Deed of Trust securing this note shall be applied by Lender first, to interest on any amounts expended by Lender under Section 6 of the Deed of Trust; next, to repay Lender the principal amount of any expenditures under Section 6 of the Deed of Trust; next, to interest accrued on the Note; next, to the principal of the Note; next, to any costs or fees payable by Borrower; next, to any late charges due under the Note; and the remaining balance, if any, to the person or persons entitled thereto. For purposes of the Deed of Trust, "principal" shall include any interest that is added to principal in accordance with the terms of the Note.

7. Loan Charges

If a law that applies to this loan and that limits charges is finally interpreted so that the interest or other loan charges collected or to be collected in connection with this loan exceed the permitted limits, then: (i) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and

(ii) any sums already collected from me that exceeded permitted limits will be refunded to me. The Holder may choose to make this refund by reducing the principal owed under this Note or by making a direct payment to me. If a refund reduces principal, the reduction will be treated as a partial prepayment.

8. REQUIREMENTS OF HOME Investment Partnerships Program

I hereby acknowledge that this loan is made in part with funding from the U.S. Department of Housing and Urban Development HOME Investment Partnerships Program and is subject to the requirements of that Program (including recapture) stipulated in the Home Recapture Agreement executed by the Borrower, the City of Bellingham, and the Washington State Housing Finance Commission on this same date.

9. Borrower's Failure To Pay as Required

(A) Late Charge for Overdue Payments. If the Holder has not received the full amount of any monthly payment by the end of fifteen (15) calendar days after the date it is due, I shall pay a late charge to the Holder, as compensation for the administrative burden of handling late payments and not as a penalty. The amount of the late charge will be four percent (4 %) of each overdue payment. I shall pay this late charge promptly but only once on each late payment.

(B) Default. If I do not pay the full amount of each monthly payment on the date it is due, I will be in default.

(C) Notice of Default. If I am in default, the Holder may send me a written notice stating that if I do not pay the overdue amount by a certain date, the Holder may require me to pay immediately the full amount of principal that has not been paid and all the interest and any other amounts owed. 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. Even if, at a time when I am in default, the Holder does not give me notice or does not require me to pay immediately in full as described above, the Holder will still have the right to do so if I am in default at a later time.

(E) Payment of Holder's Costs and Expenses. If I default on this Note, the Holder will have the right to be paid by me for all of the Holder's costs and expenses in enforcing this Note, to the extent not prohibited by applicable law. Those expenses include, for example, reasonable attorneys' fees. These may include a reasonable amount for the value of legal services of attorneys who are employees of the Holder, and include without limitation attorney's fees and costs incurred in any arbitration, trial, appellate or bankruptcy proceedings.

10. Borrower's Waivers

I waive any right to require the Holder to do certain things. Those things are: (A) to demand payment of amounts due (known as "presentment"); (B) to give notice to other persons that amounts due have not been paid (known as "notice of dishonor"); (C) to obtain an official certification of nonpayment (known as "protest"). Anyone else who agrees to keep the promises made in this Note, or who agrees to make payments to the Holder if I fail to keep the promises under this Note, or who signs this Note to transfer it to someone else also waives these rights. These persons are known as "guarantors, sureties and endorsers."

11. Notices

Unless applicable law requires a different method, any notice to me under this Note may 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 Holder written notice of a different address. Any notice from the Holder may be given in any other manner permitted by applicable law. If more than one person is signing this Note then the Holder may send a single notice addressed to all of those persons unless the Holder has received notice of a different address for one or more of us. Any notice that must be given to the Holder under this Note will be given by delivering it or by mailing it by first class mail to the Holder at the address stated in Paragraph 3(A) above or at a different address if the Holder sends notice to me of that different address.

12. 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 Holder may enforce its rights under this Note against each person individually or against all of us together. This means that any one of the persons signing this Note or assuming the obligations under this Note may be required to pay all of the amounts owed under this Note.

13. Interest After Maturity or Acceleration

After the Maturity Date, or after any earlier date when all principal and interest owing under this Note shall have become due, all amounts owing on this Note, including principal and interest, and any Shared Appreciation, shall bear interest at 12% per annum or the highest rate allowed by applicable law, whichever is less.

14. Time

Time is of the essence of my obligations under this Note.

15. Security

This Note is secured by a Deed of Trust on the Property in Bellingham, Washington at the address on Page 1 of this Note. That Deed of Trust describes conditions under which I may be required to make immediate payment in full of all amounts owed under this Note.

16. Certain Restrictions Terminate on Foreclosure of HUD-Insured First Mortgage

If any mortgage or deed of trust with priority over the Deed of Trust securing this Note (“first mortgage”) secures a loan that is insured by the United States Secretary of Housing and Urban Development (“Secretary”), and if the title to the Property is transferred by foreclosure of the first mortgage or deed-in-lieu of foreclosure thereof, or if the first mortgage is assigned to the Secretary, then any requirement for payment of Shared Appreciation, and any right of the holder to declare the balance due solely because the Property ceases to be my principal residence, shall automatically terminate. Nothing in this Section shall affect the right of the holder of this Note to declare the balance due and payable because of a transfer of the Property by foreclosure or deed in lieu thereof.

IN WITNESS WHEREOF, this Note has been executed by the undersigned(s) as of the date set forth above.

_____ Date _____ Date

LOAN ORIGINATOR ORGANIZATION: _____ NMLSR ID# _____

INDIVIDUAL LOAN ORIGINATOR NAME: _____ NMLSR ID# _____