

**PROMISSORY NOTE**  
**HOUSE KEY PLUS SEATTLE**

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, and plus a share of appreciation as additional interest if required 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, including any unpaid interest that is added to principal, 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 12 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 Seattle 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. Shared Appreciation**

(A) Promise to Pay. In addition to payment of principal and interest pursuant to the terms of this Note, I agree to pay, as additional interest, Shared Appreciation, if any, at the time and in the amount determined according to this Section 5.

(B) Amount of Shared Appreciation. “Shared Appreciation” is defined as and will be an amount equal to “Net Proceeds” multiplied by the applicable “Shared Appreciation Percentage” under paragraph 5(C) below, but if “Net Proceeds” are zero or less then Shared Appreciation will be zero. “Net Proceeds” are defined as:

“Market Value” minus (“Base Amount” plus “Eligible Improvement Costs” plus “Eligible Sales Costs”). These terms are defined below:

(i) “Market Value” means the amount determined under clauses (a) through (c) below:

(a) if Shared Appreciation is due because I am selling the Property, then Market Value will be the gross sales price of the Property, but only if all of these conditions are satisfied:

- (1) the sale is a good faith arms-length sale of the entire Property, free of any liens or restrictions, except taxes and governmental charges not then delinquent;
- (2) the total sales price is paid in full at closing in cash or its equivalent;
- (3) the sale price of the Property is not affected by any other arrangement with the buyer or related persons other than those typically encountered in residential closings, such as allowances or reductions for repairs; and

(4) I certify items (1)-(3) above to the Holder in writing, and provide to the Holder a complete copy of the sale agreement and any supplements to it, at least 20 days prior to the scheduled closing of the sale;

(b) if Shared Appreciation is due because I am selling the Property, but one or more of the conditions in clause (a) above is not satisfied, then the Holder may elect, at its option, to use the gross sales price as Market Value or to use one of the methods in clause (c) below;

(c) if Market Value is not determined under clause (a) or (b) above, then Market Value shall be either of the following, at the Holder's option:

(1) the most recent assessed value of the Property according to the public records of the King County Assessor at the time of the notice from Holder stating the amount of Shared Appreciation due or to become due, or

(2) the fair market value of the Property as estimated by an appraiser chosen by the Holder.

(ii) The "Base Amount" is \$ \_\_\_\_\_ (sales price).

(iii) "Eligible Improvement Costs" are costs of improvements to the Property for which all of the following conditions are satisfied:

(1) the improvements are made by licensed contractors after the date of my purchase of the Property, and comply with all City ordinances;

(2) I have then fully paid for the improvements and I am not reimbursed, nor entitled to be reimbursed, by any insurance company or other person;

(3) I have provided to the Holder, no later than 20 days before the date when payment of Shared Appreciation becomes due, documents satisfactory to the Holder proving the nature and cost of the improvements, including copies of invoices, work orders or contracts, and proof of payment;

(4) the improvements remain on the Property; and

(5) the Holder determines, in its good faith discretion, that the costs of the improvements were reasonable and resulted in a higher Market Value of the Property for purposes of this Section 5.

(iv) "Eligible Sales Costs" are actual and reasonable costs of sale that are deducted from the sale price, limited to real estate commissions, real property excise tax, escrow fees, recording fees and title insurance for a standard form owner's policy, all as itemized on a preliminary settlement statement acceptable to the Holder and provided to the Holder at least 20 days prior the closing of the sale. If Shared Appreciation becomes due other than because of a sale of the Property, there are no Eligible Sales Costs.

If at closing of a sale of the Property, I pay Shared Appreciation together with the principal balance of this Note, or an estimated amount is held in escrow under paragraph 5(C) below, then for purposes of this Section, Shared Appreciation shall be considered to have become due because I am selling the Property.

(C) Shared Appreciation Percentage. The Shared Appreciation Percentage shall be \_\_\_\_\_ % if the event causing Shared Appreciation to become due occurs before the completion of Year 2 of this Note. Year 2 shall begin on the date that is one year and one day after the date of this Note, and a new Year of this Note shall begin on the same date in each later year. Beginning in Year 2 the Shared Appreciation Percentage shall be reduced by one ninth (11.1%) on the first day of each Year of this Note until it reaches zero (0).

(D) Limits on Shared Appreciation.

(i) My obligation to pay Shared Appreciation will be limited so that, at the time it becomes due, the amount of Shared Appreciation plus any interest previously paid and interest then payable does not exceed an amount equal to interest computed at the rate of 6% per year from the date of this Note on the outstanding balance from time to time of the original principal of this Note.

(ii) The amount of Shared Appreciation payable shall be limited so that in any event it does not exceed the excess, if any, of the gross proceeds of sale of the Property over the sum of the original purchase price paid by the Borrower and the greater of (a) the sum of the documented costs of improvements to the property by the Borrower, the amount of accrued interest payable (including any interest that has been added to principal, but not including any delinquent interest) and the costs of sale of the Property; or (b) 50% of the excess of the gross sales price over such original purchase price.”

(iii) In any event, Shared Appreciation shall always be limited so that, when added to all other amounts that are included to determine the maximum amount of interest the Holder could charge under applicable law, it does not exceed any applicable legal limit.

(E) Time of Payment. Shared Appreciation shall be due on the date when the entire principal balance becomes due, or on any earlier date when I prepay the entire outstanding principal balance. I agree that I will not delay payment of principal and interest based on any uncertainty or dispute as to whether Shared Appreciation is due or owing on this Note or as to the amount of Shared Appreciation. If I pay the principal balance in full, whether by prepayment or after notice of acceleration, I understand and agree that I may still owe Shared Appreciation even if I have not then received a computation or demand for payment of Shared Appreciation from the Holder, and even if my check in payment of principal says “payment in full” or a similar statement and is accepted by the Holder.

**6. 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, but when I make a full prepayment I also must pay any Shared Appreciation. 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.

**7. 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 (but not including Shared Appreciation, if any); next, to any Shared Appreciation then payable; 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.

**8. 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.

## **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 attorneys 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 Seattle, 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#: \_\_\_\_\_