

Shared Appreciation Disclosure – House Key Plus Seattle

This disclosure provides a summary of important information about the Shared Appreciation Mortgage you have applied for. See the Note and Deed of Trust for more complete information about the shared appreciation feature of this loan.

A. The percentage of shared equity or shared appreciation you will pay.

Shared Appreciation Percentage

Calculated by taking the amount of the House Key Plus Seattle Second Mortgage and dividing it by the purchase price. Resulting percentage is in full effect for the first year. Beginning in Year 2 the percentage is reduced one-ninth (11.11%) each year to 0%. The amount of shared appreciation that the Borrower will owe will depend on the Borrower's net proceeds at the time of sale. The repayment is then calculated as net proceeds multiplied by the shared appreciation percentage.

The amount of Shared appreciation is defined as and will be an amount equal to "Net Proceeds" multiplied by the applicable "Shared Appreciation Percentage".

Limits on Shared Appreciation.

- (i) Your 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 the Note on the outstanding balance from time to time of the original principal of the 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.

B. The value you will receive for sharing your equity or appreciation.

You will receive a deferred interest mortgage at 3%. You do not make scheduled payments on this loan until the maturity date.

C. The conditions that will trigger your duty to pay.

If you sell or transfer the property, payoff or refinance this loan or the first lien on the property, stop using the property as your principal residence, or if the entire principal balance otherwise becomes due before the scheduled maturity date (for example, following a default under the terms of the Note or Deed of Trust).

D. The conditions that may cause the lender to terminate the mortgage or shared appreciation provision early.

The lender can terminate the mortgage before its scheduled maturity date and require you to pay shared appreciation if you sell or transfer the property, payoff or refinance this loan or the first lien on the property, stop using the property as your principal residence, or if the entire principal balance otherwise becomes due before the scheduled maturity date (for example, following a default under the terms of the Note or Deed of Trust).

The shared appreciation obligation goes away after 9 years.

E. The procedure for including qualifying major home improvements in the home's basis ("Eligible Improvement Costs").

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 your purchase of the property, and comply with all City ordinances;
- (2) You have then fully paid for the improvements and are not reimbursed, nor entitled to be reimbursed, by any insurance company or other person;
- (3) You have provided to the lender, no later than 20 days before the date when payment of shared appreciation becomes due, documents satisfactory to the lender 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 lender determines, in its good faith discretion, that the costs of the improvements were reasonable and resulted in a higher market value of the property.

F. Whether a prepayment penalty applies or other conditions applicable, if a borrower wishes to repay the loan early, including but not limited to, any date certain after which the borrower can repay the loan by paying back the lender's funds plus accrued equity.

You can repay the loan early at any time, without payment of any prepayment penalty.

G. The date on which the SAM terminates and the equity or appreciation becomes payable if no triggering event occurs.

If no triggering event occurs (see D above), the shared appreciation percentage declines one ninth every year after the first year, and if you pay the loan as agreed on its scheduled maturity date, you will not have to pay any shared appreciation at that time.

Date

Mortgagor

Date

Co-Mortgagor