

North Carolina Housing Finance Agency
N.C. Home Advantage Mortgage Program

Promissory Note

_____, North Carolina

_____, 20____

FOR VALUE RECEIVED, the undersigned (the “Borrower”) jointly and severally promise(s) to pay to the North Carolina Housing Finance Agency (the “Lender”), the amount of _____ Dollars (\$ _____) (the “Principal Amount”), with interest at the rate of Zero percent (0%) per annum according to the term herein, at the office of the Lender 3508 Bush Street, Raleigh, North Carolina, 27609, or at such other address designated from time to time in writing by the Lender

1. **LOAN.** This Note evidences a loan made by Lender to Borrower. The loan is secured by a Deed of Trust, (the “Deed of Trust”) dated the same date as this Note, and which is a subordinate lien on the property described in the Deed of Trust (the “Property”). All terms of the Deed of Trust are incorporated in this Note by reference, and any default under the Deed of Trust is a default under this Note.
2. **AMOUNT DUE.** The amount owed under this Note is the Principal Amount paid on behalf of the Borrower by Lender in accordance with the terms of this Note and the Deed of Trust securing this Note, together with interest, if any. It is understood and agreed that additional amounts may be advanced by the holder hereof as provided in the Deed of Trust securing this Note and such advances will be added to the principal of this Note.
3. **PAYMENT AND REDUCTION OF PRINCIPAL AMOUNT.** During the term of this Note, if Borrower is not in default under any of the terms of this Note or the Deed of Trust then Borrower shall not be required to make any payments of principal and interest and the balance due under the Note shall be reduced by 20% of the original Principal Amount of the Loan on each anniversary date of the Note starting after year ten (10) such that on the Maturity Date the outstanding principal balance due will be \$0.00. For clarification see the example below.

For example purposes only, if the date of this Note were May 1, 2013, then:

Date of Reduction	Cumulative Amount of Total Principal Reduction	Principal Amount Remaining Due as of Date of Reduction
May 1, 2014	Deferred 100%, no reduction	100%
May 1, 2015	Deferred 100%, no reduction	100%
May 1, 2016	Deferred 100%, no reduction	100%
May 1, 2017	Deferred 100%, no reduction	100%
May 1, 2018	Deferred 100%, no reduction	100%
May 1, 2019	Deferred 100%, no reduction	100%
May 1, 2020	Deferred 100%, no reduction	100%
May 1, 2021	Deferred 100%, no reduction	100%
May 1, 2022	Deferred 100%, no reduction	100%
May 1, 2023	Deferred 100%, no reduction	100%
May 1, 2024	20% of Original Principal Amount	80% of Original Principal Amount
May 1, 2025	20% of Original Principal Amount	60% of Original Principal Amount
May 1, 2026	20% of Original Principal Amount	40% of Original Principal Amount
May 1, 2027	20% of Original Principal Amount	20% of Original Principal Amount
May 1, 2028	20% of Original Principal Amount	\$0.00

If Borrower is in default under the terms of this Note or the Deed of Trust then the entire Principal Amount, minus any principal reduction made by Lender (“Outstanding Balance”), shall become immediately due and payable.

4. **TERM.** The term of the Loan shall be the date that is fifteen (15) years from the date of this Note (the “Maturity Date”).

5. **PAYMENT.** (1) Provided the Borrower is not in default under the terms of the Note or the Deed of Trust, then no monthly principal or, if applicable, interest payments are required. (2) All unpaid Principal Amount of the loan shall only be due and payable upon the occurrence of an Event of Default as listed in Section 7.

6. **RIGHT TO PREPAY.** The Amount Due under this Note can be prepaid without any prepayment charge.

7. **DEFAULT.**

a. The following shall constitute an event of default under this Note:

- a. If the Property is sold, transferred, or otherwise alienated by Borrower, whether voluntarily or involuntarily, or by operation of law, without the prior written consent of Lender, however, this option shall not be exercised by Lender if such exercise is prohibited under applicable law, or
- b. If the Property is not occupied by Borrower as Borrower's principal residence, or
- c. If there is any default under any of the terms of this Note or the Deed of Trust or a default under any other loan that is secured by a lien on the Property, or
- d. If any loan that is secured by a lien on the Property is refinance prior to the Maturity Date of this Note.
- e. If any event of default occurs under the terms of this Note, the Lender may, without notice, declare the remainder of the debt at once due and payable.

Any restrictions contained in this Note will automatically terminate if title to the Property is transferred by foreclosure or deed-in-lieu of foreclosure, or if the mortgage is assigned to the Secretary of the United States Department of Housing and Urban Development.

8. **DEFAULT REMEDIES.** Upon a monetary event of default, the Lender may employ an attorney and the Borrower agrees to pay to the Lender all reasonable attorney's fees, plus all other reasonable expense incurred by the Lender in exercising any of the Lender's rights and remedies on default. The rights and remedies of the Lender as provided by law, by this Note, and by the Deed of Trust shall be cumulative and may be pursued singly, successively, or together. The failure to exercise any such right or remedy shall not be a waiver or release of such rights or remedies. Each party to this Note hereby waives presentment for payment, demand, protest and notice of dishonor, and all defenses on the ground of extension of time for the payment hereof which may be given by the holder of the Note to anyone who is obligated to pay this Note.

9. **GOVERNING LAW.** This Note is to be governed and construed in accordance with the laws of the State of North Carolina.

10. **NOTICE.** All notices given by Borrower or Lender in connection with this Note or the Deed of Trust must be in writing. Any notice to Borrower or Lender shall be deemed to have been given to Borrower or Lender when mailed by first class mail or when actually delivered to Borrower's notice address if sent by other means. Notice to any one Borrower shall constitute notice to all Borrowers unless applicable law expressly requires otherwise. The notice address shall be the Property Address unless Borrower has designated a substitute notice address by notice to Lender. Borrower shall promptly notify Lender of Borrower's change of address. Any notice to Lender shall be to Lender's address stated herein unless Lender has designated above in this Note.

IN WITNESS WHEREOF, each of the undersigned has hereunto set his or her hand and seal or caused this Note to be signed and sealed in its name by a person or persons duly authorized, all as of the date of this Note.

BORROWER(S):

_____ (SEAL)

_____ (SEAL)

Mortgage Loan Originator Name and NMLS #: _____, # _____ (must match 1003)

Company Name and NMLS #: _____, # _____ (must match 1003)