



**TEXAS GENERAL LAND OFFICE**  
**CFDA 14.228 Community Development Block Grant Program ("CDBG")\**  
**Hurricane Ike/Dolly Funding Under the**  
**Consolidated Security, Disaster Assistance, and Continuing Appropriations Act**  
**Public Law 110-329**  
**CDBG Disaster Recovery Program**  
**Awarding Federal Agency: United States Department of Housing and Urban**  
**Development Federal Award Number: B-08- DI -48-0001**

**(CDBG DISASTER RECOVERY PROGRAM)**  
**UNSECURED FORGIVABLE PROMISSORY NOTE**  
**("Unsecured Note")**

Date:

Borrower, Co-Borrower:

Borrower's Mailing Address:

Property: The real property, and any improvements thereon, described as:

with a property address of

Lender:

a political subdivision of the State of Texas,

Place for Payment:

Attn:

Principal Amount:

Annual Interest Rate: Zero percent (0%)

Maturity Date:  (Three years from the first day of the month following the date of this agreement plus 120 days for construction)

Annual Interest Rate on Matured, Unpaid Amounts: Zero percent (0%)

Terms of Payment (principal and interest): The Principal Amount , if any, shall be due and payable in three annual installments of  , beginning on the first day of month following the Date of this Note, plus 120 days for construction (the "First Anniversary" ) , and continuing annually for two years ("Maturity Date").

Provided, however, that for every year that Borrower complies with the terms of this Note, the Certification of Principal Residence, the Due on Sale and Transfer of Property Disclosure and any and all other documents executed in connection with this Note, the amounts of principal due and payable under this Note shall be deferred and waived annually at a rate of  percent (  % of deferred principal), per year beginning on the First Anniversary and continuing annually until Maturity Date.

**Payment of any unpaid and unforgiven debt under this Note will be forgiven upon the death of Borrower and any co-borrowers.**

Purpose of this Unsecured Note: The funds under this Unsecured Note are advanced by Lender for the financing of the construction of improvements to the Property pursuant to a CDBG Disaster Recovery Program for disaster relief, long-term recovery, and restoration of housing in areas declared federal disaster areas in 2008 as detailed in the State of Texas Action Plan dated as of March 4, 2009, referred to as the Plan for Disaster Recovery under the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act of 2009, and 24 CFR Part 570 (the CDBG Program Regulations) as amended by the Housing and Community Development Act.

Security for Payment: None.

Other Security for Payment: A default exists under this Note if any of the following events (hereinafter "Events of Default") occur:

- (a) Borrower fails to comply with the terms of this Note, the Certification of Principal Residence, the Due on Sale and Transfer of Property Disclosure, or any other documents executed in connection with this Note;
- (b) the note payable to any superior lien holder is paid in full according to its terms;
- (c) any superior mortgage is refinanced in whole or in part or is assumed by a new borrower without the consent of the Lender and the Texas General Land Office;
- (d) all or any part of the Property, or any interest in it, is leased, transferred, or foreclosed, except that this clause (d) will not apply to:
  - (i) a transfer (not upon death) between joint tenants in the Property who are also co-makers, of this Unsecured Note, or
  - (ii) a transfer by devise, descent or operation of law upon the death of a joint tenant in the Property if at least one other joint tenant who is also a maker of the Unsecured Note remains alive and continues to occupy the Property as his or her principal residence; or
- (e) all or part of the Property is sold; or
- (f) the Borrower ceases to occupy the Property as his or her principal residence.

The Lender may declare the unpaid or unforgiven balance of the Note due and payable upon the occurrence of any Event of Default described above. If the balance of the Note is declared due and payable, it shall be paid either in a single payment at the Maturity Date of the Note or, at Borrower's option, the amount of the unpaid balance shall be paid to Lender in monthly installments amortized over the remaining term of the Note.

In the event Borrower defaults on the payment of any amount due under this Note and fails to cure said default within thirty (30) days after Lender's delivery of written notice of payment default to Borrower, then Lender shall have the unconditional right, without demand, notice, or other action, to declare the unpaid and unforgiven balance of this Note immediately due and payable. Notice shall be deemed to have been delivered upon actual receipt or upon deposit, if deposited in an official depository of the United States Postal Service, properly addressed to the party entitled to the notice, marked certified mail, return receipt requested, and containing sufficient postage. For the purpose of notice,

Borrower's address is

Borrower shall have the right to change its address and specify any other address within the United States of America by at least ten (10) days written notice to Lender. If this Note is placed in the hands of an attorney or the Texas Attorney General's Office for collection or is collected by legal proceedings of any kind, Borrower agrees to pay all costs of collection, including reasonable attorneys' fee and costs.

If any payment required under this Note is not paid within 15 days after it becomes due and payable, then Borrower shall pay to Lender, subject to the provisions of this Note limiting the amount of interest, the payment of a late charge (the "Late Charge") to compensate Lender for the loss of use of funds and for the administrative expenses and costs of handling such delinquent payment equal to a one-time charge of five percent (5%) of the amount of such payment that was not timely paid or Seven and 50/100 Dollars (\$7.50), whichever is greater (but such Late Charge together with all interest payable hereon shall not exceed the maximum lawful rate under Applicable Law). Lender is not obligated to accept any past due payment that is not accompanied by a Late Charge, but may accept such payment without waiving its rights to collect the Late Charge. In no event shall a Late Charge be payable by reason of the acceleration of the indebtedness evidenced by this Note; therefore, a Late Charge would only be due and payable with respect to payments under this Note which became delinquent prior to the acceleration of the indebtedness evidenced hereby.

Borrower agrees to furnish Lender on or before January 31 of each year during the term of the Note and/or on Lender's request evidence satisfactory to Lender that all taxes and assessments on the Property have been paid when due.

Borrower further agrees to continue to maintain flood insurance and hazard insurance on the Property and will pay all insurance premiums for such insurance coverage not otherwise paid under the terms of any document or agreement with Lender in connection with this Unsecured Note. Borrower shall furnish to Lender evidence satisfactory to Lender that annual insurance premiums for flood and hazard insurance on the Property and for annual renewals of said insurance have been paid when due. **If Borrower does not maintain flood insurance coverage described above, Borrower WILL be prohibited from receiving any additional federal disaster relief assistance for the Property in accordance with the CDBG Program requirements. If Borrower does not maintain hazard insurance coverage, Borrower MAY be prohibited from receiving any additional federal disaster relief assistance for the Property.**

As part of the consideration for the advancement of funds under this Note to improve the Property, Borrower agrees not to destroy, damage or impair Property, allow the Property to deteriorate, or commit waste on the Property, and shall maintain and keep the Property in good repair after the completion of the improvements.

All agreements and transactions between Borrower and Lender, whether now existing or hereafter arising, whether contained herein or in any other instrument, and whether written or oral, are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of acceleration of the Maturity Date hereof, prepayment, demand for payment or otherwise, shall the amount contracted for, charged or received by Lender from Borrower for the use, forbearance, or detention of the Principal Amount indebtedness or interest hereof, which remains unpaid from time to time, exceed the maximum amount permissible under Applicable Law, it particularly being the intention of the

parties hereto to conform strictly to the law of the State of Texas and of the United States of America, whichever is applicable. Any interest payable hereunder or under any other instrument relating to the loan evidenced hereby that is in excess of the legal maximum under Applicable Law, shall, in the event of acceleration of Maturity Date, prepayment, demand for payment or otherwise, be automatically, as of the date of such acceleration, prepayment, demand or otherwise, applied to a reduction of the Principal Amount indebtedness hereof and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of such Principal Amount, such excess shall be refunded to Borrower. To the extent permitted by Applicable Law, determination of the legal maximum amount of interest shall at all times be made by amortizing, prorating, allocating and spreading in equal parts during the period of the full stated term of the loan, all interest at any time contracted for, charged or received from Borrower in connection with the loan, so that the actual rate of interest on account of such indebtedness is uniform throughout the term thereof.

Borrower shall pay a charge of \$25.00 for any check returned for any reason.

All obligations of this Note are the joint and several obligations of each signer. This Note shall be governed by and construed in accordance with the laws of the State of Texas and the United States of America from time to time in effect. The term "Applicable Law" as used herein means (1) the law pertaining to maximum rates of interest that is now in effect and (2) any law that comes into effect at any time in the future allowing a higher maximum interest rate than the law now in effect.

When the context requires, singular nouns and pronouns include the plural.

#### **IMPORTANT NOTICE FOR FEDERAL DISASTER RELIEF**

**DUTY TO NOTIFY. In the event of the transfer of the Property described above by Borrower or Borrower's successors and assigns ("Transferor"), the Transferor shall, not later than the date on which such transfer occurs, notify the transferee in writing of the requirements to:**

- (i) Obtain flood insurance in accordance with applicable federal law and obtain hazard insurance, with respect to said property, if the above described property is not so insured as of the date on which the above described property is transferred; and**
- (ii) Maintain flood insurance in accordance with applicable federal law and maintain hazard insurance, with respect to said property. Such written notification shall be contained in documents evidencing the transfer of ownership of the above described property.**

**FAILURE TO NOTIFY. If Transferor fails to provide notice as described above and subsequent to the transfer of the above described property:**

- (a)**
  - (i) the transferee fails to obtain or maintain flood insurance, in accordance with applicable federal law, with respect to the above described property;**
  - (ii) the above described property is damaged by a flood disaster; and**
  - (iii) Federal disaster relief assistance is provided for the repair, replacement, or restoration of the property as a result of such damage,**  
**the Transferor SHALL be required to reimburse the Federal Government in an amount equal to the amount of the federal disaster relief assistance provided with respect to the above described property; and**

- (b)
- (i) the transferee fails to obtain or maintain hazard insurance, in accordance with applicable federal law with respect to the above described property;
  - (ii) the above described property is damaged by a disaster; and
  - (iii) Federal disaster relief assistance is provided for the repair, replacement, or restoration of the property as a result of such damage, the Transferor MAY be required to reimburse the Federal Government in an amount equal to the amount of the federal disaster relief assistance provided with respect to the above described property."

Lender may report information about Borrower's account to credit bureaus. Late payments, missed payments, or defaults on Borrower's account may be reflected in Borrower's credit report.

Each term and provision of this Unsecured Note is expressly subject to the terms and conditions of the CDBG Disaster Recovery Program Contract # [ ] between Lender as the "Subrecipient" and the Texas General Land Office, a public and official agency of the State of Texas as the "GLO", executed by Subrecipient on [ ] and by the Department on [ ], to be effective on [ ] in the amount of [ ], as may be amended from time to time (the "CDBG Contract"), which provides assistance to Borrower under the CDBG Disaster Recovery Program for disaster relief, long-term recovery, and restoration of housing in areas declared federal disaster areas in 2008 as detailed in the State of Texas Action Plan dated as of March 4, 2009, referred to as the Plan for Disaster Recovery under the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act of 2009, and 24 CFR Part 570 (the CDBG Program Regulations) as amended by the Housing and Community Development Act, incorporated herein by reference. The terms of the CDBG Contract shall govern over any conflicting provisions hereof.

**THIS WRITTEN AGREEMENT AND THE OTHER WRITTEN AGREEMENTS, INCLUDING THE COLLATERAL AGREEMENTS, SIGNED CONTEMPORANEOUSLY WITH THE SIGNING HEREOF REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.**

**BORROWER:**

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**BORROWER**, Borrower Title (i.e. husband, wife, etc.)

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 Co-Borrower, Co-Borrower Title (i.e. husband, wife, etc.)