

**DELAWARE STATE HOUSING AUTHORITY
SECOND MORTGAGE ASSISTANCE LOAN ("SMAL") PROGRAM
MORTGAGE NOTE**

U.S. \$ _____ **1** _____, Delaware
_____ **2** _____, 20 **3** _____ **4**

FOR VALUE RECEIVED, _____ **5** _____
_____ ("Borrower") promise to pay to the order of DELAWARE STATE
HOUSING AUTHORITY, a public corporation of the State of Delaware ("DSHA"), at its
principal office at 18 The Green, Dover, Delaware, or at such other place _____ the holder hereof
may from time to time designate, the principal sum of _____ **6** _____
_____ Dollars (\$ _____ **7** _____) (the "Principal Sum").

1. NO INTEREST. No interest shall accrue on the Principal Sum.
2. PAYMENTS. The Principal Sum, including any and all other charges and/or other amounts due to DSHA, shall be due and payable on the Maturity Date, as defined hereinbelow.
 - (a) The Principal Sum shall be repaid by Borrower as follows:
 - (i) All payments of principal hereunder shall be deferred until the Payment Trigger Date, as defined hereinbelow.
 - (ii) Commencing on the 1st day of the month following the Payment Trigger Date and continuing on the first day of each _____ **8** _____ month thereafter, Borrower shall make monthly payments to DSHA in the amount of \$ _____ each (which shall be the same as the combined monthly principal and interest payments that Borrower was making on Borrower's first mortgage loan) until all amounts due to DSHA are paid-in-full.
 - (iii) The Payment Trigger Date (the "Payment Trigger Date") shall be thirty (30) years from the date hereof, unless this Note has been paid-in-full or otherwise satisfied prior to that time.
 - (iv) Borrower shall give DSHA ten (10) business days prior written notice of an event that results in the Payment Trigger Date.
 - (v) Borrower may prepay all sums due under this Note in whole or in part without premium or penalty at any time.

3. MATURITY DATE.

(a) The Maturity Date (the "Maturity Date") shall be the earlier of the following:

(i) thirty (30) years from the Payment Trigger Date, as defined hereinbelow;

(ii) the date upon which all principal and any other amounts due to DSHA are paid-in-full;

(iii) the date when title to the property (the "Property") described in the mortgage of even date herewith (the "Mortgage") securing this obligation is conveyed;

(iv) the date when the Mortgage is refinanced; or

(v) the date when the Property is no longer the Borrower's primary residence.

(b) Borrower shall give DSHA ten (10) business days prior written notice of an event that results in the Maturity Date.

4. DEFAULT. Each of the following shall be an "Event of Default":

(a) The failure of Borrower to pay any installment or any other sum, including but not limited to insurance premiums, on the date when it is due under the terms of this Note or the Mortgage, and such failure is not fully cured within five (5) days after notice thereof is given to Borrower.

(b) A default under the Mortgage shall also be an Event of Default under this Note.

(c) A default under that certain loan secured by the first mortgage in favor of DSHA shall also be a default under this Note and the Mortgage.

(d) Any court of competent jurisdiction shall make an order, judgment or decree (i) adjudicating the Borrower bankrupt, (ii) appointing a trustee or receiver of the Property of the Borrower, (iii) approving a petition for, or effecting an arrangement in, bankruptcy, a reorganization pursuant to any present or future federal or state bankruptcy law, or any other judicial modification or alteration of the rights of DSHA or of other creditors, or (iv) assuming custody or sequestering any substantial part of the Property of Borrower. Also if the Borrower shall (i) file such petition, (ii) take or consent to any other actions seeking any such judicial order, (iii) make an assignment for the benefit of creditors, (iv) make an admission in writing of inability to pay debts generally as they become due, (v) become insolvent, (vi) make a transfer in fraud of the holder of this Note or of other creditors, or (vii) fail to pay its debts as they become due.

5. REMEDIES. Remedies after the occurrence of an Event of Default:

(a) Upon the occurrence of an Event of Default that has continued beyond the expiration of any applicable notice and cure period, DSHA, at its option and without notice to Borrower, may, notwithstanding anything herein or in the Mortgage to the contrary, declare immediately due and payable: (i) the entire unpaid balance of principal hereunder; and (ii) all other sums due by Borrower hereunder or under the Mortgage. Payment thereof may be enforced and recovered in whole or in part at any time by one or more of the remedies provided to DSHA in this Note, or the Mortgage. In such case, DSHA may also recover all costs of suit and other reasonable expenses in connection therewith, including attorneys' fees actually incurred.

(b) Any failure to exercise any of the remedies shall not constitute a waiver of the right of said holder to exercise said remedies at a later time concerning a continuing or subsequent Event of Default.

(c) IF ANY ACTION, SUIT, MATTER OR PROCEEDING IS BROUGHT FOR THE ENFORCEMENT OF THIS NOTE, AND IF THE PLAINTIFF OR LIENHOLDER IN THE SAID ACTION, SUIT OR PROCEEDING SHALL RECOVER JUDGMENT IN ANY SUM, SUCH PLAINTIFF OR LIENHOLDER SHALL ALSO RECOVER AS REASONABLE COUNSEL FEES AN AMOUNT NOT TO EXCEED TWENTY PERCENT (20%) OF THE AMOUNT DECREED, WHICH SAID COUNSEL FEES SHALL BE ENTERED, ALLOWED AND PAID AS A PART OF THE DECREE OR JUDGMENT IN ANY ACTION, SUIT OR PROCEEDING; AND MAKER DOES HEREBY AUTHORIZE AND EMPOWER ANY CLERK, PROTHONOTARY OR ATTORNEY OF ANY COURT OF RECORD IN THE STATE OF DELAWARE, OR ELSEWHERE, TO APPEAR FOR IT, ITS SUCCESSORS OR ASSIGNS, AT THE SUIT OF DSHA, A PUBLIC CORPORATION AS AFORESAID, ITS SUCCESSORS OR ASSIGNS, ON THE OBLIGATION CONTAINED HEREIN AS OF ANY TERM OR TIME PRIOR OR SUBSEQUENT TO THE DATE HEREOF, AND THEREUPON TO CONFESS JUDGMENT FOR THE PRINCIPAL SUM TOGETHER WITH COSTS, PREMIUMS AND COUNSEL FEES AS ABOVE PROVIDED BY NON SUM INFORMATUS, NIHIL, DICIT, OR OTHERWISE, WITH STAY OF EXECUTION UNTIL DAY OF PAYMENT; AND MAKER DOES HEREBY FOR ITSELF, ITS SUCCESSORS OR ASSIGNS, REMISE, RELEASE AND FOREVER QUITCLAIM UNTO DSHA, IT SUCCESSORS AND ASSIGNS, ANY AND ALL MANNER OF ERROR OR ERRORS, MISPRISIONS, MISENTRIES, DEFECTS AND IMPERFECTIONS WHATEVER, IN THE ENTERING OF SAID JUDGMENT, OR ANY PROCEEDING THEREON, OR THERETO, OR ANYWISE TOUCHING OR CONCERNING THE SAME.

(d) The Borrower (i) waives demand, presentment for payment, protest, notice of protest, and notice of nonpayment of this Note; (ii) consents to any number of renewals or extensions of the time for payment thereof; (iii) agrees that any such renewals or extensions may be made without notice to any of said parties and without affecting their liability hereon; (iv) further consents to the release of any part or parts of all of the security for the payment hereof; and (v) consents to the release of any party or parties liable

hereon, all without affecting the liability of any other party liable for the payment of this Note.

6. MISCELLANEOUS.

(a) There shall be no amendments or modification of this Note unless mutually agreed upon in writing by Borrower and DSHA.

(b) Borrower shall not assign its interest hereunder without DSHA's prior written approval.

(c) The covenants and agreements contained herein shall be binding upon and inure to the benefit of Borrower and DSHA, their respective successors and assigns

(d) This Note shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to principles of conflicts of laws, and such laws shall govern all rights, remedies, liabilities, powers and duties of the parties hereunder.

(e) To the extent any provision of this Note or the Mortgage constitutes a legal restriction on the conveyance of the Property, as defined by 24 C.F.R. § 203.41 or any successor regulation, such restriction(s) 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.

(f) Any suit, action, or proceeding against any of the parties hereto arising out of or relating to this Note shall be brought exclusively in the Superior Court of the State of Delaware, the Court of Chancery of the State of Delaware, the Court of Common Pleas of the State of Delaware, or the United States District Court for the District of Delaware as any party hereto in its sole discretion may elect, and each party hereto irrevocably submits to the jurisdiction of such courts for the purpose of any such suit, action or proceeding.

IN WITNESS WHEREOF, the undersigned has executed this Note this **9** day
of **10**, 20**11**

SIGNED, SEALED & DELIVERED
IN THE PRESENCE OF:

(DATE) **12** (DATE) **13** (SEAL)
(WITNESS) (BORROWER)

(DATE) **14** (DATE) **15** (SEAL)
(WITNESS) (BORROWER)

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PROPERTY ADDRESS

Number	Data	Description
1	Note Amount	Input second lien Note amount in numeric format.
2	City	Input the city where the document is being drawn.
3	Date	Input the month and day (in written and numeric format) this Note is being completed. This must correspond to the Security Instrument, along with the first lien's document date.
4	Date	Input the last two digits of the year (in numeric format) this Note is being completed. This must correspond to the Security Instrument, along with the first lien's document date.
5	Mortgagor Name(s)	Input mortgagor name(s).
6	Note Amount (Written)	Input second lien Note amount in written format.
7	Note Amount (Numeric)	Input second lien Note amount in numeric format.
8	Monthly Payment Amount	Input the first Lien P&I amount in numeric format.
9	Day	Input the day (in numeric format) this Note is being executed.
10	Month	Input the month (in written format) this Note is being executed.
11	Year	Input the last two digits of the year (in numeric format) this Note is being executed.
12	Witness/Borrower: Signature Date and Name	Type the signature date and witness name or additional borrower name under the signature line.
13	Borrower: Signature Date and Name	Type the signature date and borrower name under the signature line.
14	Witness\Borrower: Signature Date and Name	Type the signature date and witness name or additional borrower name under the signature line.
15	Co-Borrower: Signature Date and Name	Type the signature date and co-borrower name under the signature line.
16	Property Address	Input complete property address (numeric/street name/city/state/zip code).