

**RIDER TO THE PAYMENT SUPPLEMENT PROMISSORY NOTE  
PAYMENT SUPPLEMENT AGREEMENT**

BORROWER(S): [BORROWER NAME] (“Borrower”)

CO-BORROWER(S), if any: [CO-BORROWER NAME]

FHA CASE NUMBER: [FHA CASE NUMBER]

PROPERTY ADDRESS: [PROPERTY ADDRESS] (“Property”)

SERVICER: [SERVICER] (“Servicer”)

ACCOUNT NUMBER: [1<sup>ST</sup> LIEN [Mortgage/Deed of Trust/Security Instrument] LENDER & ACCOUNT NO.] (“FHA-Insured Mortgage”)

THIS PAYMENT SUPPLEMENT AGREEMENT (“Agreement”) is entered into on \_\_\_\_\_, 20\_ , by \_\_\_\_\_ (“Borrower”).

**1. PURPOSE:** The United States Department of Housing and Urban Development, through the Federal Housing Administration (“FHA”), insures your Mortgage on your single-family residence. This Payment Supplement Agreement, which is attached as a rider to and incorporated in your Payment Supplement Promissory Note (“Note” or “Payment Supplement Note”), explains the terms and conditions of the Payment Supplement you are completing with your Servicer. Funds advanced on your behalf in connection with the Payment Supplement are advanced by the Secretary of the United States Department of Housing and Urban Development (“HUD” or “Lender”).

**2. DEFINITION:** Servicer, as used in this Payment Supplement Agreement, means your current FHA-approved Mortgage Servicer listed above and any other FHA-approved Mortgagee that services your FHA-Insured Mortgage in the future.

**3. PROGRAM SUMMARY:** You are currently in default or imminent default (as defined by HUD), generally meaning that you have not made monthly mortgage payments or have indicated that you will not be able to make future payments, under the terms of your FHA-Insured Mortgage. Your Servicer has determined that you meet the eligibility requirements for a Payment Supplement, an option that uses funds provided by HUD to bring your FHA-Insured Mortgage current and then pay a portion of the principal you owe each month to temporarily reduce the amount of your monthly payment on your FHA-Insured Mortgage.

Your Servicer determined the amount of your Payment Supplement using FHA’s formulas and FHA’s Payment Supplement requirements.

If you choose to accept the Payment Supplement, you are required by law to agree to repay all funds advanced by HUD in connection with this Payment Supplement. Your agreement to repay

the Payment Supplement is established through and evidenced by the Payment Supplement Note, this Payment Supplement Agreement rider, and secured by the Payment Supplement [Mortgage, Deed of Trust, or other Security Agreement] (“Payment Supplement Documents”).

The funds provided by HUD for the Payment Supplement will be provided directly to your Servicer, who is required by HUD to administer your Payment Supplement in accordance with FHA’s Payment Supplement requirements.

In a Payment Supplement, your Servicer will apply funds to the amount needed to bring your FHA-insured Mortgage current. Your Servicer will deposit all remaining Payment Supplement Funds provided by HUD in a zero-interest, restricted deposit account (the “Payment Supplement Account”), which will be used to pay the Payment Supplement portion of the monthly principal due on your FHA-insured Mortgage in accordance with Payment Supplement requirements and as provided in this Agreement.

The Payment Supplement funds provided to your Servicer are restricted. Payment Supplement Funds provided by HUD to your Servicer may not be used for any other purpose or on behalf of any other person. You have no discretion in the use and application of Payment Supplement Funds. Your Servicer has no discretion either and must strictly adhere to FHA’s Payment Supplement requirements in administering the Payment Supplement Account.

By statute, 12 U.S.C. 1715u(b), your Servicer must apply the Payment Supplement Funds to your FHA-insured Mortgage as follows: first to arrearages (amounts past due and payable), and then to a portion of the unpaid principal on your FHA-Insured Mortgage.

#### **4. APPROVED PAYMENT SUPPLEMENT:**

- a. **Total Approved Amount of Payment Supplement** – up to \$ [APPROVED/OBLIGATED TOTAL]
- b. **Arrearage Covered by Payment Supplement** - \$ [TOTAL AMOUNT APPLIED TO ARREARAGE]
- c. **Payment Supplement Period** – The Payment Supplement will be provided to cover a portion of the principal due beginning [FIRST MONTH PAYMENT SUPPLEMENT WILL COVER] through [FINAL MONTH PAYMENT SUPPLEMENT WILL COVER] and cannot be extended.
- d. **Amount of Monthly Principal Payment Reduction** – \$ [APPROVED MONTHLY SUPPLEMENT] You will receive up to 36 Monthly Principal Reductions when you make your required portion of your monthly mortgage payment during the Payment Supplement Period.

- e. **Borrower's Monthly Principal and Interest Obligation during the Payment Supplement Period** – \$ [MONTHLY P&I PAYMENT]
- f. **Borrower's Monthly Mortgage Payment at the start of the Payment Supplement Period** – \$ [MONTHLY MORTGAGE PAYMENT DURING FIRST MONTH OF PAYMENT SUPPLEMENT PERIOD]<sup>1</sup>

**5. REQUIRED DOCUMENTS:** You must complete and return all of the Payment Supplement Documents to participate in the Payment Supplement.

This Payment Supplement Agreement is incorporated by reference into and enforceable through the Payment Supplement Note and [Mortgage/Deed of Trust/Security Instrument]. In signing this Payment Supplement Agreement, you accept that this Payment Supplement Agreement is legally binding and part of the terms and conditions in the Payment Supplement Documents.

**6. LOAN TERMS AND REPAYMENT:** The total amount approved for your Payment Supplement funds is listed above, in 4.

You agree to repay any Payment Supplement Funds provided by HUD and applied to your FHA-insured Mortgage, up to the amount listed in 4.a. through the Payment Supplement Note. In accordance with the terms of this Agreement and the Payment Supplement Note, the outstanding balance of the Note will not accrue interest and you are not required to make any payments to HUD until one of the events described in the Payment Supplement Note occurs.

The Payment Supplement Note is secured by the Payment Supplement [Mortgage/Deed of Trust/Security Instrument]. When you sign the Payment Supplement [Mortgage/Deed of Trust/Security Instrument], you create a subordinate lien on your Property.

Your Payment Supplement Period is listed above in 4.c., unless terminated earlier under the terms of this Payment Supplement Agreement. The conditions for early termination of your Payment Supplement Period are described in paragraph 10.

You will not be eligible for a new Payment Supplement until 36 months after the date you executed the Payment Supplement Documents.

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<sup>1</sup> The amount of your monthly mortgage payment is set by the terms of your FHA-insured Mortgage and includes escrow amounts, such as property taxes, insurance, or other assessments, as applicable. If your escrow amount changes, your monthly mortgage payment during the Payment Supplement Period may also change. Please refer to information from your Servicer regarding your monthly mortgage payment obligations. You are responsible for timely payment of all amounts owed under your FHA-insured Mortgage less the amount of the Monthly Principal Reduction shown in 4.d. above.

**7. FUNDING AND DISBURSEMENT:** HUD will provide the total amount that may be needed to fund your Payment Supplement, listed above at 4.a., for the duration of the Payment Supplement Period, listed above at 4.c., in a single lump-sum deposit. These funds will be maintained in a Payment Supplement Account by your Servicer.

a. *Arrearage Payment.* If you have an arrearage identified above at 4.b., your Servicer will first pay any amount in arrears (amounts past due and payable) on your FHA-Insured Mortgage, including funds to cure escrow shortages, late escrows, advances for mortgage insurance premiums, and other advances made by your Servicer when authorized under your FHA-Insured Mortgage documents, consistent with the terms of FHA's Payment Supplement requirements. The Payment Supplement will bring your FHA-Insured Mortgage current. After this initial payment, your Servicer may not make future disbursements from the Payment Supplement Account to cover any new arrearages.

b. *Your Continuing Monthly Payment Obligation; Balance Due to Servicer.* Your portion of the monthly mortgage payment is equal to the entire monthly payment due on your FHA-Insured Mortgage (including escrows, mortgage insurance premiums, and any other advances made by your Servicer when authorized under your FHA-Insured Mortgage documents) less the Monthly Principal Reduction. Your Servicer will continue to communicate your payment obligation for the billing cycle using their current communication methods.

Your participation in the Payment Supplement does not change the terms of your FHA-Insured Mortgage. If you do not make your portion of the monthly mortgage payment to receive the Monthly Principal Reduction, you remain ultimately responsible for the full amount of the monthly payment.

c. *Payment Supplement – Monthly Principal Reduction.* For each month of your Payment Supplement Period, after your Servicer receives and accepts your payment for your portion of your monthly payment due under the FHA-Insured Mortgage (all amounts owed by you under 7.b.), your Servicer will disburse the Payment Supplement Funds in the amount of your Monthly Principal Reduction (shown above at 4.c.) to cover the remaining unpaid principal due on your FHA-Insured Mortgage for that month. Your Servicer will not apply any Monthly Principal Reduction after the final month of the Payment Supplement Period.

d. Your Servicer may not disburse funds from the Payment Supplement Account for any purpose other than those listed in 7.a. and 7.c. above, or as provided in paragraphs 10 and 11 below in connection with the termination of the Payment Supplement Period.

**8. LATE PAYMENT(S):** If you fail to make your monthly payment when due during your Payment Supplement Period (the amount owed under 7.b., above), or you have made a payment for less than the full amount due, your Servicer will not apply the Monthly Principal Reduction from the Payment Supplement Account for that month. Your Servicer must apply the Monthly

Principal Reduction once they receive the late payment, provided the late payment is received and accepted during the Payment Supplement Period.

Your Servicer is prohibited from disbursing funds from the Payment Supplement Account to cover your portion of the monthly payment required under your FHA-Insured Mortgage, or any late fees that may have accrued under the terms of your FHA-Insured Mortgage. If you do not make your payments as required to receive the Monthly Principal Reduction, you remain ultimately responsible for the full amount of the monthly payment due on your FHA-insured mortgage, including any late fees that may have accrued under the FHA-insured mortgage.

The timing of the Servicer's application or the withholding of the Monthly Principal Reduction portion of your total monthly payment does not impact any determination that a payment under the FHA-Insured Mortgage was late and will not result in an accrued late fee.

**9. IMPACT OF RE-DEFAULT ON PAYMENT SUPPLEMENT:** If you redefault on your FHA-insured Mortgage during the Payment Supplement Period, you may be eligible to receive the Monthly Principal Reduction for any month for which you pay your portion of the monthly mortgage payment unless the Payment Supplement Period terminates in accordance with paragraph 10.

**10. TERMINATION OF PAYMENT SUPPLEMENT PERIOD:** Your Payment Supplement Period terminates after the completion of the Payment Supplement Period as set forth in 4.c., or earlier if any of the following occurs:

- a. you voluntarily terminate your Payment Supplement, through written notice to your Servicer affirming that you can resume your full monthly Mortgage Payment without the Payment Supplement,
- b. you redefault on your FHA-insured Mortgage during the Payment Supplement Period and:
  - (i) you complete any permanent FHA loss mitigation home retention option in connection with that default other than a new standalone Partial Claim; or
  - (ii) the Servicer has completed a foreclosure action, you have completed a Deed-in-Lieu of Foreclosure, or you have executed an Approval to Participate (ATP) agreement for a Pre-Foreclosure Sale;
- c. any assumption or transfer of title to the Property occurs (including an Exempted Transfer, i.e. those transferred subject to Garn St. Germain Depository Institutions Act);
- d. you sell the Property;

- e. you refinance the FHA-insured Mortgage;
- f. you have paid in full all amounts due under the FHA-insured primary note; or
- g. any other event occurs requiring repayment of the Payment Supplement Note.

**11. REMAINING PAYMENT SUPPLEMENT FUNDS:** When your Payment Supplement Period terminates, HUD requires your Servicer to remit any remaining, unapplied Payment Supplement Funds held in the Payment Supplement Account to HUD.

You have no ability to direct the application of these remaining Payment Supplement Funds, which must be utilized consistent with this Payment Supplement Agreement, but you will only be responsible for repayment of funds disbursed from the Payment Supplement Account and applied to your FHA-Insured Mortgage in accordance with this Agreement and the Payment Supplement Note.

**12. PREPAYMENT:** As stated in your Payment Supplement Note, you are allowed to prepay the outstanding balance on your Payment Supplement Note, in whole or in part, without a charge or penalty. If you choose to make a prepayment, you must submit your prepayment to:

Department of Housing and Urban Development  
c/o National Servicing Center  
301 NW 6th Street, Suite 200  
Oklahoma City, OK 73102

or any other place HUD designates to you through written notice.

**13. CAUTION, CONSEQUENCE FOR FAILURE TO REPAY YOUR PAYMENT SUPPLEMENT WHEN REQUIRED:** Delinquencies, defaults, foreclosures, and abuses of mortgage loans involving programs of the Federal Government can be costly and detrimental to your credit, now and in the future.

As the Borrower on the Payment Supplement Documents, you are legally obligated to repay the outstanding balance under the Note when required. Selling or transferring the Property after you sign the Payment Supplement Documents does not change your liability for repaying Payment Supplement funds disbursed consistent with the terms of this Agreement and the Payment Supplement Note.

The Payment Supplement Note is a debt owed by you to the Federal Government and is subject to federal debt collection laws and procedures.

The Federal Government, its agencies, agents and assigns, are authorized to take any and all of the following actions in the event you fail to may any payment due on the Payment Supplement Note: (1) report your name and account information to a credit bureau; (2) assess additional

interest and penalty charges for the period of time that payment is not made; (3) assess charges to cover additional administrative costs incurred by the Government to service your account; (4) offset amounts owed to you under other Federal programs; (5) refer your account to a private attorney, collection agency or mortgage servicing agency to collect the amount due, foreclose the [Mortgage/Deed of Trust/Security Instrument], sell the property and seek judgment against you for any deficiency; (6) refer your account to the Department of Justice for litigation in the courts; (7) if you are a current or retired Federal employee, take action to offset your salary, or civil service retirement benefits; (8) refer your debt to the Internal Revenue Service for offset against any amount owed to you as an income tax refund; and (10) report any resulting written-off debt to the Internal Revenue Service as your taxable income. All these actions can and will be used to recover any debts owed when it is determined to be in the interest of the Federal Government to do so.

**14. PERSONAL LIABILITY; SUCCESSORS AND ASSIGNS; JOINT AND SEVERAL LIABILITY.** You are fully and personally liable for repayment of the Payment Supplement Funds, evidenced by the Payment Supplement Note. Any person who is a guarantor, surety, or endorser of the Payment Supplement Note is also fully and personally liable. The covenants and agreements of the Payment Supplement Documents bind and benefit, except as provided in this agreement, your successors and assigns. If there is more than one Borrower, the covenants and agreements of the Payment Supplement Documents are joint and several.

**15. NON-BORROWER CO-SIGNERS.** Any person who co-signs the Payment Supplement [Mortgage/Deed of Trust/Security Instrument] but does not execute the Payment Supplement Note: (a) is co-signing the Payment Supplement [Mortgage/Deed of Trust/Security Instrument] only to mortgage, grant and convey that person's interest in the Property under the terms of Payment Supplement [Mortgage/Deed of Trust/Security Instrument]; (b) is not personally obligated to pay the sums secured by the Payment Supplement [Mortgage/Deed of Trust/Security Instrument]; and (c) agrees that you and HUD may agree to extend, modify, forbear, or make any accommodations with regard to the term of the Payment Supplement [Mortgage/Deed of Trust/Security Instrument] or the Payment Supplement Note without that person's consent.

**16. NO THIRD-PARTY BENEFICIARIES.** The Payment Supplement does not, and is not intended to, confer any rights or remedies upon any person other than Borrower, Servicer, and HUD. Borrower agrees they are not a third-party beneficiary to the Contract of Insurance between HUD and Servicer.

**17. CONFLICT.** Except to the extent expressly provided herein, the Payment Supplement Note shall remain unmodified and in full force and effect in accordance with its terms, and you hereby ratify all such terms and confirm the effectiveness thereof. In the event of an inconsistency between the terms of the Payment Supplement Note and the terms of this Agreement, the terms of this Agreement shall control.

**18. PRIVACY ACT STATEMENT: Purpose** – In signing this Payment Supplement Agreement, you authorize HUD and your Servicer, directly or through authorized representatives, to request and obtain your personal information when needed to verify your eligibility and terms for the Payment Supplement.

Uses of Information to be Obtained – HUD is required to protect the information it obtains in accordance with the Privacy Act of 1974, 5 U.S.C. § 552a. HUD may disclose your information (other than tax return information) for certain routine uses, including to other government agencies for law enforcement purposes, and for unemployment/income verification purposes. Any persons engaging in unauthorized disclosures or uses of information obtained for the purposes described above may be subject to penalties.

If you have any questions about this Privacy Act Statement, you can contact the office of the HUD Privacy Officer, at (202) 402-8047.

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Borrower

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Co-Borrower (if any)

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