

### **Instructions for Payment Supplement Note and Security Instrument Forms**

This is a Model Promissory Note and Security Instrument. To the extent that any language contained herein cannot be incorporated into the Note or Security Instrument consistent with all applicable laws, regulations and FHA requirements, the Mortgagee should contact the Department for further guidance. Mortgagees must review this form and make modifications as needed to ensure compliance with applicable federal, state, and local laws and requirements.

The Mortgagee bears ultimate responsibility for ensuring that this Note and accompanying Security Instrument create a valid, enforceable subordinate lien in compliance with all relevant federal, state, and local laws and requirements, including, but not limited to FHA regulations and published requirements relating to the Payment Supplement.

### **Uniform Covenants**

Paragraphs 1-6 should have the heading “Uniform Covenants.” The text of these Paragraphs must be used as presented in the Model Subordinate Mortgage Form without any change. If a change is needed to meet requirements of federal, state, or local law, the mortgagee must request and receive written approval from HUD via the loan servicing contractor.

### **Non-Uniform Covenants**

The Payment Supplement subordinate Security Instrument should designate the paragraphs beginning with Paragraph 7 “Non-Uniform Covenants.” Any special language or notices required by applicable state law should appear following the non-uniform covenants provided in the Model.

### **Signatures**

Witness lines may be omitted if state and local law do not require witnesses for mortgages.

**Model Promissory Note and Subordinate Security Instrument (Mortgage, Deed of Trust, Deed to Secure Debt, or other designation as appropriate in jurisdiction) for Use in Connection with Payment Supplement**

FHA Case No. \_\_\_\_\_

**PAYMENT SUPPLEMENT PROMISSORY NOTE**

[Date]

[Property Address]

This Note is given by Borrower to the Secretary of Housing and Urban Development (“HUD”), as lender and holder of this Note, to acknowledge any and all sums loaned by HUD on Borrower’s behalf, pursuant to the authority to assist borrowers in default through the payment of a partial claim under Title II of the National Housing Act, as amended, (12 U.S. Code § 1715u) (the “Act”).

**Uniform Covenants**

**1. DEFINITIONS**

“Borrower” means each person signing at the end of this Note, and Borrower’s successors and assigns. Borrower is prohibited from assigning this Note without HUD’s prior written permission.

“FHA” means the Federal Housing Administration within the U.S. Department of Housing and Urban Development.

“FHA-insured primary note” and “FHA-insured primary mortgage” refer to the promissory note and mortgage, deed of trust, or other security instrument” representing the borrower’s debt incurred in connection with the financing of the Property.

“HUD” means the Secretary of Housing and Urban Development, as lender and holder of this Note, and its successors and assigns.

“Payment Supplement Agreement” means the Payment Supplement Agreement Rider dated \_\_\_\_\_, 20\_\_ by and between the Borrower and HUD, the terms of which are incorporated into and supplement the provisions of this Note as if the Payment Supplement Agreement is a part of this Note.

“Note” or “Payment Supplement Note” means this Payment Supplement Promissory Note executed by the Borrower.

“Payment Supplement” is the monthly payment made to reduce the principal owed by the Borrower on the Borrower’s FHA-insured primary mortgage, consistent with the terms of the Payment Supplement Loss Mitigation requirements of HUD.

“Property” means Borrower’s property identified in the Security Instrument.

“Property Address” means the address provided above.

“Secretary” means the Secretary of Housing and Urban Development or the Secretary’s authorized representatives.

“Security Instrument” means the mortgage, deed of trust, security deed or other security instrument which is signed by Borrower together with the Payment Supplement Agreement and which secures the amounts advanced under this Note.

## 2. BORROWER’S PROMISE TO PAY

In return for amounts received from HUD for the benefit of Borrower under the terms of the Payment Supplement Agreement, the terms of which are incorporated as if fully set forth herein, Borrower promises to pay to the order of HUD an amount equal to the sum of all funds applied to the Borrower’s primary mortgage made under the Payment Supplement Agreement, up to the principal sum of \_\_\_\_\_ Dollars (U.S. \$ \_\_\_\_\_), with such sums bearing zero percent (0%) interest as described the Payment Supplement Agreement and in accordance with the terms hereof.

## 3. PROMISE TO PAY SECURED

Borrower’s promise to pay is secured by a mortgage, deed of trust or similar security instrument that is dated the same date as this Note and called the “Security Instrument.” The Security Instrument protects HUD from losses, which might result if Borrower defaults under this Note.

## 4. MANNER OF PAYMENT

### (A) Time and Amount

Borrower must repay all sums outstanding on this Note when the first of the following events occurs, if earlier:

(i) Borrower has paid in full all amounts due under the FHA-insured primary note and related mortgage, deed of trust or similar Security Instruments insured by the Secretary, or

(ii) The maturity date of the FHA-insured primary note has been accelerated. The maturity date of the FHA-insured primary note and related mortgage, deed of trust or similar security instrument may be accelerated in event of any sale or transfer of the Property, in whole or in part, or in the event the Borrower and any other Borrower no longer owns the Property after an assumption, or

- (iii) The FHA-insured primary note and related mortgage, deed of trust or similar Security Instrument are no longer insured by the Secretary, or
- (iv) The maturity of the FHA-insured primary mortgage.

(B) Place

Payment shall be made to the Department of Housing and Urban Development c/o HUD's National Servicing Center 301 NW 6th Street, Suite 200, Oklahoma City, OK 73102 or any such other place as HUD may designate in writing.

5. BORROWER'S RIGHT TO PREPAY

Borrower has the right to prepay the debt evidenced by this Note, in whole or in part, without charge or penalty. If Borrower makes a partial prepayment, there will be no changes in the due date or in the amount of the monthly payment pursuant to the terms of the Payment Supplement Agreement unless HUD agrees in writing to those changes.

6. WAIVERS

Borrower and any other person who has obligations under this Note waive the rights or presentment and notice of dishonor. "Presentment" means the right to require HUD to demand payment of amounts due. "Notice of dishonor" means the right to require HUD to give notice to other persons that amounts due have not been paid.

7. OBLIGATIONS OF PERSONS UNDER THIS NOTE

If more than one person signs this Note, each person is fully and personally obligated to keep all of the promises made in this Note, including the promise to pay the full amount owed. Any person who is a guarantor, surety or endorser of this Note is also obligated to keep all the promises made in the Note. Any person who takes over these obligations, including the obligations of a guarantor, surety or endorser of this Note, is also obligated to keep all of the promises made in this Note. HUD may enforce its rights under this Note against each person individually or against all signatories together. Any one person signing this Note may be required to pay all the amounts owed under this Note.

Borrower may not assign this Note to another person or entity without HUD's prior written approval.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Note.

\_\_\_\_\_  
Borrower

\_\_\_\_\_  
Borrower

## Model Payment Supplement Subordinate Mortgage Form

FHA Case No. \_\_\_\_\_

### PAYMENT SUPPLEMENT SECURITY INSTRUMENT

THIS SUBORDINATE [insert designation for instrument appropriate in jurisdiction: MORTGAGE, DEED OF TRUST, DEED TO SECURE DEBT, OR OTHER DESIGNATION AS APPROPRIATE IN JURISDICTION] (“Security Instrument”) is given on \_\_\_\_\_, 20\_\_\_\_. The mortgagor is \_\_\_\_\_ whose address is \_\_\_\_\_ (“Borrower”).

This Security Instrument is given to the Secretary of Housing and Urban Development, whose address is 451 Seventh Street, SW, Washington, DC 20410 (“HUD”). Borrower is obligated to repay HUD an amount equal to the sum of all advances, including future advances made on Borrower’s behalf, up to the principal sum of \_\_\_\_\_ Dollars (U.S. \$\_\_\_\_), under the terms of Borrower’s Payment Supplement Note dated the same date as this Payment Supplement Security Instrument (hereinafter “Note” or “Payment Supplement Note”), which provides for the full debt, if not required to be paid earlier, is due and payable upon maturity or termination of the Borrower’s Note, consistent with the terms of the Payment Supplement Agreement and Payment Supplement Note. This Security Instrument secures to HUD: (a) the repayment of the debt evidenced by the Note, and all renewals, extensions and modifications of the Note; (b) the payment of all other sums, advanced under Paragraph 7 to protect the security of this Security Instrument; and (c) the performance of Borrower’s covenants and agreements under this Security Instrument and the Note. For this purpose, Borrower does hereby mortgage, warrant, grant and convey to the HUD, with the power of sale the following described property located in \_\_\_\_\_ County, [State]:

[insert legal description here or refer to attached exhibit]

which has the address of  
[Street]  
[City], [State] [Zip Code], (“Property Address”);

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, appurtenances, and fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Security Instrument. All of the foregoing is referred to in this Security Instrument as the “Property.”

BORROWER COVENANTS that Borrower is lawfully seized of the estate hereby conveyed and has the right to mortgage, grant and convey the Property and that the Property is unencumbered, except for encumbrances of record. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to any encumbrances or record.

THIS SECURITY INSTRUMENT combines uniform covenants for national use and non-uniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property.

Borrower and HUD covenant agree as follows:

## UNIFORM COVENANTS

1. **Payment of Principal.** Borrower shall pay the principal of the debt evidenced by the Note when due.
2. **Borrower Not Released; Forbearance By HUD Not a Waiver.** Extension of the time of payment of the sums secured by this Security Instrument granted by HUD to Borrower, or any successor in interest of Borrower, shall not operate to release the liability of the original Borrower or Borrower's successor in interest. HUD shall not be required to commence proceedings against any successor in interest or refuse to extend time for payment or otherwise modify amortization of the sums secured by this Security Instrument by reason of any demand made by the original Borrower or Borrower's successors in interest. Any forbearance by HUD in exercising any right or remedy under the Note, Payment Supplement Agreement, or this Security Instrument shall not be a waiver of or preclude the exercise of any right or remedy.
3. **Successors and Assigns Bound; Joint and Several Liability; Co-signers.** The covenants and agreements of this Security Instrument shall bind and benefit Borrower and any successors and assigns. Borrower may not assign this Security Instrument to another person or entity without HUD's prior written approval. To the extent there is more than one Borrower, each Borrower's covenants and agreements shall be joint and several. Any Borrower who co-signs this Security Instrument but is not required by HUD to execute the Note: (a) is co-signing this Security Instrument only to mortgage, grant and convey that Borrower's interest in the Property under the terms of this Security Instrument; (b) is not personally obligated to pay the sums secured by this Security Instrument; and (c) agrees that HUD and any other Borrower may agree to extend, modify, forbear or make any accommodations with regard to the term of this Security Instrument, the Payment Supplement Agreement, or the Note without that Borrower's consent.
4. **Notices.** Any notice to Borrower provided for in this Security Instrument shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the Property Address or any other address Borrower designates by notice to HUD. Any notice to HUD shall be given by first class mail to:  
Department of Housing and Urban Development,  
National Servicing Center,  
Attention: Payment Supplement,  
301 NW 6th Street, Suite 200, Oklahoma City, OK 73102

or any address HUD designates by notice to Borrower. Any notice provided for in this Security Instrument shall be deemed to have been given to Borrower or HUD when given as provided in this paragraph.

5. **Governing Law; Severability.** This Security Instrument shall be governed by Federal law and the law of the jurisdiction in which the Property is located. If any provision or clause of this Security Instrument or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Security Instrument, the Payment Supplement Agreement, or the Note that can be given effect without the conflicting provision. To this end, the provisions of this Security Instrument, Payment Supplement Agreement, and the Note are declared to be severable.
6. **Borrower's Copy.** Borrower shall be given one conformed copy of the Note and of this Security Instrument.

**NON-UNIFORM COVENANTS.** Borrower and HUD further covenant and agree as follows:

7. **Acceleration; Remedies.** [insert any required state-specific language followed by:]

If HUD requires immediate payment in full under Paragraph 4 of the Note, HUD may invoke the nonjudicial power of sale provided in the Single Family Mortgage Foreclosure Act of 1994 ("Act") (12 U.S.C. § 3751 et seq.) by requesting a foreclosure commissioner designated under the Act to commence foreclosure and to sell the Property, as provided in the Act. Nothing in the preceding sentence shall deprive HUD of any rights otherwise available to a HUD under this paragraph or applicable law.

BY SIGNING BELOW, Borrower accepts and agrees to the terms contained in this Security Instrument and in any rider(s) executed by Borrower and recorded with it.

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Borrower

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Borrower