

**CONSTRUCTION RIDER FOR CONSTRUCTION/PERMANENT  
MORTGAGE**

CONSTRUCTION LOAN ADDENDUM TO NOTE  
MODEL DOCUMENT

FHA CASE Number \_\_\_\_\_ Date: \_\_\_\_\_

THIS IS A MODEL DOCUMENT FOR USE IN MORTGAGE LOAN TRANSACTIONS. THIS FORM IS PROVIDED AS AN EXAMPLE AND IS NOT VALID AND ENFORCEABLE IN ALL JURISDICTIONS. LENDERS SHOULD CONSULT WITH LEGAL COUNSEL TO ENSURE THAT ALL FORMS USED TO ORIGINATE LOANS ARE APPROPRIATE, AND THAT ALL LEGAL INSTRUMENTS ARE COMPLETED CORRECTLY AND IN COMPLIANCE WITH APPLICABLE LAW.

**CONSTRUCTION LOAN ADDENDUM AMENDING NOTE**

THIS CONSTRUCTION LOAN ADDENDUM (the "Addendum") is made this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, and is incorporated into and shall be deemed to amend and supplement the note made by the undersigned Borrower, ("I", "me", "my") to evidence my indebtedness (the "Loan") to \_\_\_\_\_ and its successors and assigns (the "Note Holder") and dated the same date as this Addendum (the "Note"). The Note is secured by a security instrument, as modified or amended, in favor of the Lender dated the same date as this Addendum (the "Security Instrument"). All terms defined in the Note shall have the same meaning in this Addendum.

**ADDITIONAL COVENANTS.** In addition to the covenants and agreements made in the Note, Note Holder and I further covenant and agree as follows:

1. **CONSTRUCTION/PERMANENT LOAN.** The Note, as amended by this Addendum, is for a construction loan and a permanent mortgage loan. During the Construction Phase of the Loan, Note Holder will advance funds in accordance with the Construction Loan Agreement dated the same date as this Addendum (the "Construction Loan Agreement"). The "Construction Phase" is the period beginning on the date the Loan consummates (the "Closing Date") until the first day of the month following the Completion Date specified in the Construction Loan Agreement. The Completion Date is \_\_\_\_\_, \_\_\_\_\_. The "Permanent Phase" is the period beginning on the first day of the month following the Completion Date specified in the Construction Loan Agreement. On the first day of the month following the Completion Date ("Permanent Mortgage Date"), the Loan will be a permanent mortgage loan. The Permanent Mortgage Date for my Loan is \_\_\_\_\_, \_\_\_\_\_. My first payment of principal and interest during the Permanent Phase will be due on the first day of the second month following the Completion Date which is \_\_\_\_\_, \_\_\_\_\_, as stated in Section 3(A) of the Note.

## 2. INTEREST AND PAYMENTS.

### (A) Construction Phase Interest Rate.

During the Construction Phase of the Loan, I will pay interest only on the amount of the Loan proceeds Lender disburses under the Construction Loan Agreement (each, an "Advance"). I will pay interest at the rate:

*Check applicable box:*

- stated in Section 2 of the Note ("Note Rate")
- at \_\_\_\_\_% per annum

#### 1. Permanent Phase Rate

During the Permanent Phase, I will pay interest ("Permanent Phase Rate") at the rate stated in Section 2 of the Note ("Note Rate").

#### 2. Interest Only Payments

Interest on Advances shall be calculated from the date each Advance is made. My Construction Phase interest payments will be:

*Check applicable box:*

- due and payable fifteen (15) days after being billed by Note Holder, or
- paid directly from the "Interest Reserve Account" established at the time of closing in the amount reflected in Schedule of Advances, attached as Exhibit "B" to the Construction Loan Agreement.

#### 3. Interest Reserve Payments

If I choose to establish an Interest Reserve Account, (1) Construction Phase interest will be advanced by Note Holder from the Interest Reserve Account on the first day of the month following the month in which the interest is billed, (2) Construction Phase interest advanced will be added to Principal and (3) I:

*Check applicable box:*

- will pay interest on all Principal, including Advances from the Interest Reserve Account.
- will pay interest on all Principal, other than Advances from the Interest Reserve Account.

In the event that the Interest Reserve Account is depleted prior to the Completion Date, I agree to pay directly to Note Holder from my own funds any and all interest, which accrues prior to the Completion Date.

Note Holder shall pay no interest on the Interest Reserve Account.

**4. Principal Prepayments; Permanent Phase Interest and Principal Payments**

Any portion of a payment Note Holder receives in excess of the interest due during the Construction Phase or any funds Note Holder does not advance under the Construction Loan Agreement may, at Note Holder's option, be used to pay costs associated with the Construction Phase or may be credited as a partial prepayment of the Principal amount of the Loan. The partial prepayment will reduce the  amount of  number of my monthly payments.

Beginning on the Permanent Mortgage Date, principal and interest will be due and payable as set forth in the Note.

3. **NOTICE OF NO ORAL AGREEMENT.** THE NOTE, THIS ADDENDUM, THE CONSTRUCTION LOAN AGREEMENT, AND THE SECURITY INSTRUMENT, AS AMENDED, REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND TO THE EXTENT PERMITTED BY LAW, MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENT OF THE PARTIES. THERE ARE NO ORAL AGREEMENTS BETWEEN THE PARTIES.

BY SIGNING BELOW, I accept and agree to the terms and covenants contained in this Addendum.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Borrower

\_\_\_\_\_  
Borrower

\_\_\_\_\_  
Borrower

\_\_\_\_\_  
Borrower