

Minnesota Housing Finance Agency

Minnesota Urban and Rural Homesteading Program

**MORTGAGE NOTE
For Downpayment Assistance**

Borrower Name: _____
Last First (M)

Co-Borrower Name: _____
Last First (M)

Lender: _____ [Name of Grantee], including its
successors and assigns _____.

The above listed Borrower and Co-Borrower, if any, are cumulatively referred to in this
Mortgage Note as the "Borrower."

Property Address:

Street City Zip County

The land at the above listed address along with the residential dwelling unit currently
located thereon or to be constructed thereon is cumulatively referred to in this Mortgage
Note as the "Property."

For Value Received of downpayment assistance from Lender in the amount of
\$ _____, (_____ Dollars and no cents), Borrower agrees to pay
Lender the principal sum of _____ (\$ _____) (the "Principal
Amount") with simple interest at the rate of zero percent (0%) per annum.

1. Security.

This Mortgage Note is secured by that certain Minnesota Housing Finance Agency
Minnesota Urban and Rural Homesteading Program Mortgage of even date
herewith entered into and issued by Borrower in favor of Lender, as such may be
amended, modified, restated, or replaced from time to time (cumulatively the
"Mortgage"). All of the terms, covenants, conditions, provisions and agreements of
the Mortgage are hereby made a part of this instrument to the same extent and with
the same force and effect as if fully set forth herein.

2. Payment.

A. Upon the occurrence of any of the following events Borrower shall make
payment, as describer below, to Lender:

- 1) An Event of Default under the Mortgage.

- 2) The refinance of the First Mortgage (as described in the Mortgage).
- 3) The full repayment of the First Mortgage.

Borrower shall make such payment of the Principal Amount to Lender according to the following schedule:

- 1) If the Event of Default occurs within one (1) year of the date of this Mortgage Note, Borrower must pay one hundred percent (100%) of the Principal Amount.
- 2) If the Event of Default occurs during the second year after the date of this Mortgage Note, Borrower must pay eighty percent (80%) of the Principal Amount.
- 3) If the Event of Default occurs during the third year after the date of this Mortgage Note, Borrower must pay sixty percent (60%) of the Principal Amount.
- 4) If the Event of Default occurs during the fourth year after the date of this Mortgage Note, Borrower must pay forty percent (40%) of the Principal Amount.
- 5) If the Event of Default occurs during the fifth year after the date of this Mortgage Note, then Borrower must pay twenty percent (20%) of the Principal Amount.
- 6) If no Event of Default occurs within five (5) years of the date of this Mortgage Note, then the debt shall be deemed paid in full and no monetary payment shall be required.

Borrower is advised that such forgiveness of the Principal Amount may have adverse tax consequences and, therefore, Borrower may wish to consult an attorney or tax advisor regarding this matter.

B. In the event the Property is conveyed, either voluntarily or involuntarily, the amount to be repaid shall not exceed the lesser of the amount owing on this Mortgage Note, or the amount of sales proceeds that remain after payment of superior liens and closing costs, if any.

3. Prepayment.

The outstanding balance of the debt evidenced by this Mortgage Note may be paid by Borrower in full without penalty at any time.

4. Miscellaneous.
 - 4.1. Borrower's interest in this Mortgage Note may not be assigned without the express prior written consent of Lender and the Minnesota Housing Finance Agency (MHFA) with its principal offices at 400 Sibley Street, St. Paul, Minnesota 55101. Provided, however, Lender may assign its rights under this Mortgage Note to MHFA at any time without Borrower's consent, and MHFA may assign its interest under this Mortgage Note at any time without Borrower's consent.
 - 4.2. No amendment or modification of this Mortgage Note shall be effective unless it is in writing and signed by the party against whom such amendment or modification is sought to be enforced.
 - 4.3. No waiver of any term or condition of this Mortgage Note shall be valid unless it is in writing and signed by Lender, nor shall any such waiver be deemed a continuing waiver of such term or condition.
 - 4.4. This Mortgage Note shall be binding upon and shall extend to the benefit of the parties hereto and their respective heirs, successors and permitted assigns.
 - 4.5. The Borrower and others who may become liable for all or any part of this obligation, hereby agree to be jointly and severally bound by this Mortgage Note and jointly and severally waive demand, protest, notice of nonpayment and any and all lack of diligence or delays in collection or enforcement hereof, and specifically consent to any extension of time, release of any party liable for this obligation, including any maker, or acceptance of other security therefor. Any such extension or release may be made without notice to said party and without in any way affecting the liability of such party.
 - 4.6. If any payment due under this Mortgage Note is not paid when due, and this Mortgage Note is placed in the hands of any attorney or attorneys for collection, Borrower promises to pay, in addition to the amount due hereon, the reasonable costs and expenses of collection (including attorneys' fees), which amount shall be secured by the Mortgage.
 - 4.7. No failure or delay by Lender to exercise any right or remedy under this Mortgage Note shall waive such right or remedy.
 - 4.8. The obligation of Borrower hereunder is independent of any other obligation Borrower may have to Lender as a result of other indebtedness and Borrower shall have no right of set-off thereunder or hereunder.
 - 4.9. This Mortgage Note is made and delivered in the State of Minnesota, and accordingly the clauses and provisions of this Mortgage Note and the rights, payments, charges, indebtedness and other items hereby secured shall be construed and enforced according to the laws of the State of Minnesota.

4.10. If any provision (or any part of any provision) contained in this Mortgage Note shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision (or remaining part of the affected provision) of this Mortgage Note, but this Mortgage Note shall be construed as if such invalid, illegal, or unenforceable provision (or part thereof) had never been contained herein, but only to the extent it is invalid, illegal, or unenforceable.

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BORROWER(S):

(Borrower's signature)

(Co-Borrower's signature)

(Type or print Borrower's name)

(Type or print Co-Borrower's name)

Date:_____

Date:_____

Pay to the order of
Minnesota Housing Finance Agency
without recourse

Lender

Authorized Signature

Title

THIS INSTRUMENT WAS DRAFTED BY:
Minnesota Housing Finance Agency
400 Sibley Street, Suite 300
St. Paul, MN 55101-1998