

**HOME HOMEBUYER ASSISTANCE ACTIVITY**

**FORGIVABLE LOAN PROMISSORY NOTE**

**Borrower:** \*\*\*\*\* **Lender:** \*\*\*\*\*

For the value received, the undersigned Borrower, \*\*\*\*\* (“Borrower” or if more than one party jointly and severally called “Borrower”), jointly and severally, promise to pay, pursuant to the terms of this Forgivable Loan Promissory Note dated \*\*\*\*\*, (“Note”) to \*\*\*\*\* (“Lender”), or its successors or assigns, the maximum principal sum of \$\*\*\*\*\* (“Loan Amount”), or such lesser amount as may be endorsed on this Note on behalf of the Lender, at the interest rate of zero (0) percent per annum.

**Terms and Conditions:** The Borrower agrees to the following terms of this Note:

1. Repayment. The borrower shall comply with the terms of this Forgivable Loan Promissory Note for a term of fifteen (15) years commencing on the day that the Borrower moves into the Mortgaged Property (“Affordability Period”). During the Affordability Period, 1/15<sup>th</sup> of the Loan Amount shall be forgiven each year for 15 years, after which the entire remaining Loan Amount shall be forgiven, provided the Borrower is not in default on any of the terms, conditions, or obligations in this Note, the Forgivable Mortgage granted to the Lender by the Borrower and dated \*\*\*\*\*, 2023 (the “Forgivable Mortgage”), the Homebuyer Assistance Agreement between the Borrower and the Lender and dated \*\*\*\*\*, 2023 (the “Homebuyer Assistance Agreement”), or any other documents related to this Note.

2. Principal Residence Requirement: Notice of Sale and Recapture. During the term of this Note, the Borrower shall own and occupy as the Borrower’s principal residence the property located at \*\*\*\*\* (“Mortgaged Property”) which serves as security for this Note. The Borrower shall immediately notify the Lender if the Borrower no longer occupies the Mortgaged Property as the Borrower’s principal residence or if the Borrower sells or transfers for any reason, the Mortgaged Property during the Affordability Period. If the Mortgaged Property ceases to be the Borrowers Residence during the Affordability Period or the Borrower sells or transfers the Mortgaged Property during the Affordability Period, the Borrower hereby agrees to pay the Lender the un-forgiven balance of the loan, unless the Net Proceeds (defined as the sale price minus the payoff on the first mortgage lien on the Land and any usual and customary sellers’ closing costs) of the sale are not sufficient to cover the un-forgiven balance of the loan. If the Net Proceeds are not sufficient to cover the un-forgiven balance of the loan, the amount of the loan subject to recapture shall be determined in accordance with the provisions of paragraph 3, below.

3. Insufficient Proceeds. If the Net Proceeds are insufficient to repay the un-forgiven balance of this Note pursuant to Paragraph 2 above, any Net Proceeds that are available shall be distributed to the Borrower and the Lender based on a ratio of the Home Investment (“HI”) to the sum of the HI and the Homeowner Investment (“HOI” – defined as any out-of-pocket down payment paid by the Borrower plus any verified capital improvements made by the Borrower since the purchase), as follows:

$$\frac{\text{HI}}{\text{HI} + \text{HOI}} \times \text{Net Proceeds} = \text{Amount to Lender}$$

$$\frac{\text{HOI}}{\text{HI} + \text{HOI}} \times \text{Net proceeds} = \text{Amount to Borrower}$$

If there are no Net Proceeds to distribute, the recapture amount payable to the Lender shall be zero.

4. Collateral and Forgivable Mortgage. Borrower acknowledges this Note is secured by the Forgivable Mortgage dated \*\*\*\*\*, 2023, against the Mortgaged Property. Borrower further agrees to be bound by the terms and conditions of the Forgivable Mortgage and agrees that the terms and conditions of the Forgivable Mortgage are incorporated into this Note as fully set forth herein.

5. Verification of Principal Residency. The Borrower agrees to submit, at the request of the Lender, documentation verifying Borrower's principal residency at the Mortgaged Property, including but not limited to verification of mailing address by the U.S. Postal Service, current utility bills, real estate assessment or tax documents and other documents as requested by the Lender.

6. Acceleration Upon Default. The undersigned agrees that forgiveness of any portion of the Loan Amount is specifically conditioned upon the satisfactory fulfillment of all the terms, conditions, and obligations set forth herein and in the Forgivable Mortgage, the Homebuyer Assistance Agreement, and any other documents related to this Note; and that any default on these conditions shall render the original Loan Amount immediately due and payable to the Lender, at the option of Lender, without notice. Borrower, in case of suit on this Note, agrees to pay Lender's reasonable attorney fees.

7. Forgiveness Withdrawn. Notwithstanding the forgiveness provisions above, the original Loan Amount becomes immediately due and payable to the Lender if the Borrower, during the Affordability Period and without the Lender's prior written consent, (a) fails to occupy the Mortgaged Property as Borrower's principal residence, or any part thereof, for a period of two consecutive months; or (b) sells, leases, rents, or abandons, or transfers, whether voluntary or involuntary, the Mortgaged Property, or any part thereof without consent of the Lender.

8. Payments. Payments or correspondence required by this Note for the Lender shall be directed to \*\*\*\*\*.

9. Waiver. No delay or omission on the part of the Lender in exercising any right under this Note shall operate a waiver of that right or of any other right under this Note. A waiver on any one occasion shall not be construed as a bar to or waiver of any right and/or remedy on any future occasion.

10. Waiver of Protest. The Borrower, of this Note expressly waives presentment, protest, demand notice of dishonor or default, and notice of any kind with respect to this Note.

11. Joint and Several Liability. If this Note is signed by more than one person or entity, it shall be the joint and several liabilities of all such persons or entities.

12. Captions. The captions of the paragraphs in this Note are for the convenience of reference only, shall not define or limit the provisions hereof and shall not have any legal or other significance whatsoever.

13. Governing Law. This Note shall be governed and construed in accordance with the laws of the State of Iowa.

14. Enforcement by Iowa Finance Authority. In the event the Lender is unable or unwilling to enforce the terms of this Note upon a violation of the terms of this Note by the Borrower, the Iowa Finance Authority ("IFA") may, but is not required to, exercise any rights or remedies available to the Lender, at law or in equity, to enforce this Note, as if they were the rights and remedies of IFA to enforce this Note.

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SIGNATURES ARE ON THE FOLLOWING PAGE

**IMPORTANT: READ BEFORE SIGNING. THE TERMS OF THIS AGREEMENT SHOULD BE READ CAREFULLY BECAUSE ONLY THOSE TERMS IN WRITING ARE ENFORCEABLE. NO OTHER TERMS OR ORAL PROMISES NOT CONTAINED IN THIS WRITTEN CONTRACT MAY BE LEGALLY ENFORCED. YOU MAY CHANGE THE TERMS OF THIS AGREEMENT ONLY BY ANOTHER WRITTEN AGREEMENT.**

**I ACKNOWLEDGE RECEIPT OF A COMPLETED COPY OF THIS FORGIVABLE LOAN PROMISSORY NOTE AND ALL OTHER DOCUMENTS RELATING TO THIS DEBT.**

**BORROWER:**

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Date

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Date