

**THE GRANTEE MUST USE AN ATTORNEY TO ENSURE THE
NOTE IS PROPERLY PREPARED.**

(Borrower's Name)

FOR VALUE RECEIVED, THE UNDERSIGNED _____, (the "**Borrower**"), promises to pay to the order of _____, its successors and assigns (the "**Noteholder**") the principal sum of \$ _____ (_____ dollars), together with interest and all other sums due hereunder or under the terms of the Deed of Trust made by **Borrower** for the benefit of **Noteholder** of even date herewith (the "**Deed of Trust Note**") (which may be collectively referred to herein as the "**Obligations**"), in lawful money of the United States of America.. Said Obligations shall be paid over a term, at the times, and in the manner set forth below.

The loan evidenced by this **Note** is being made to finance the improvement of certain property pursuant to the Community Development Block Grant Program.

1. Amount Borrowed: Based on **Borrower's** Ability-to-Pay (ATP), the Borrower promises to pay the principal sum of \$ _____ (_____ dollars) to the **Noteholder**.
2. Ability-to-Pay: The **Borrower's** ATP should be calculated using Virginia Department of Housing and Community Development methodology and calculated at least annually or more frequently if requested by **Borrower** or **Noteholder**, to accurately reflect adjustments to **Borrower's** ATP. Those calculations are reflected as attachments to this **Note** and reflect the amount of payments due and forgiven. Attachments shall be dated and signed by both the **Borrower** and **Noteholder**. The most recent ATP calculation shall supersede all previous ATP calculations.
3. Interest: This **Note** secured by the Deed of Trust (this "**Note**") shall bear interest at the rate of zero percent (0%) per annum.
4. Term: The term of this loan is 10 (ten) years.
5. Payments: **Borrower** is obligated to make 120 (one hundred twenty) monthly payments to the **Noteholder** in an amount of (insert amount of loan divided by 120) based on the **Borrower's** ATP.

Monthly payments shall be due on the 1st day of each month beginning the first month following the execution of this document or the ____ day of _____, 20____, and continuing on the like day of each successive month thereafter until the entire indebtedness evidenced hereby is fully paid.

The Obligations shall be payable at the office of "**Noteholder**" at _____ (insert address) or at such other

address as the **Noteholder** may from time to time designate. Said Obligations shall be paid over a term, at the times, and in the manner set forth below.

6. Forgiveness: The difference between the amount of the monthly payment in Section #5 herein and the **Borrower's** ATP is forgiven at the time each monthly payment is made.
7. Deferred Payments: Any amount of the **Borrower's** payment that is due but is not paid in any given month, both the ATP and forgiven amounts will be added onto the end of the loan period, adjusting the maturity date.
8. Maturity Date: The unpaid principal balance of this **Note**, if not sooner paid, shall be due and payable: (a) in full upon the sale or transfer of the Property (as defined in the Deed of Trust); (b) when the Borrower ceases to use the Property as [his / her / their] primary residence; or (c) on the date ten (10) years from the date of this Note, whichever event occurs earlier (the "**Maturity Date**").
9. Certification of Satisfaction: When the **Maturity Date** is reached, the **Noteholder** shall mark the **Note** "paid in full" and issue a *Certification of Satisfaction* to the **Borrower**.
10. Prepayment: **Borrower** shall have the right to prepay all or any part of the Obligations at any time. At the option of the **Noteholder**, prepayments shall be applied to reduction of the indebtedness in the inverse order of maturity of the installments provided for herein.
11. Late Payments: At the option of **Noteholder**, the following penalty may be applied if the Borrower is late in [his / her / their] monthly payment:
 - a. The undersigned shall pay to the **Noteholder** a late fee of _____ percent (____ %) of the payment amount.
 - b. The undersigned shall pay to the **Noteholder** a late fee of \$ _____ (_____ dollars) of any installment not received by the **Noteholder** within _____ days of its due date.
12. Default:
 - a. In the event that any monthly installment due under this Note is not paid when due and remains unpaid for a period of _____ days after written notice is sent stating that any of the parties hereto shall be in default in the performance of any of the covenants, terms or conditions of the instrument securing the indebtedness evidenced hereby, then the entire principal amount outstanding hereunder and accrued interest thereon shall at once become due and payable at the option of the **Noteholder**. Failure to exercise such option upon default shall not constitute waiver of the right to exercise such option upon any subsequent default.
 - b. During the existence of any default, **Noteholder** may apply any sums received, including but not limited to, insurance proceeds or condemnation awards, to any amount then due and owing hereunder or under the terms of any of the other Loan Documents as **Noteholder** may determine. Neither the right nor the exercise of the right herein granted unto **Noteholder** to apply such proceeds as aforesaid shall serve to cure the default or preclude **Noteholder** from exercising its option to cause the entire indebtedness evidenced by this Note to become immediately due and payable

by reason of **Borrower's** default under the terms of this **Note** or any of the other Loan Documents.

- c. Any notice required hereunder shall be given as provided in the Deed of Trust.
- 13. Severability: If any clauses or provisions herein operate or would prospectively operate to invalidate this **Note**, then such clauses or provisions only shall be held for naught, as though not herein contained and the remainder of this **Note** shall remain operative and in full force and effect.
- 14. Assignability: This **Note** and the instrument securing the same may be sold, assigned, and transferred by the **Noteholder**.
- 15. Homestead: The undersigned makers, and any and all endorsers, sureties, guarantors and assumers hereof (each a "Party" and collectively the "Parties" hereto), hereby jointly and severally waive presentment, demand, protest, notices of dishonor and of protest, the benefits of homestead, and all other waivable exemptions, and all defenses and pleas on the ground of any extension(s) of the time of payment or of the due dates of this **Note**, in whole or in part, before or after maturity, with or without notice, it being further agreed by all Parties that they will pay any collection expense, court costs, and reasonable attorneys' fees which may be incurred in the collection or enforcement of this **Note** or any part hereof.

This **Note** shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia and if controlling, by the laws of the United States and shall be binding upon **Borrower**, its heirs, personal representatives, successors and assigns and shall inure to the benefit of **Noteholder**, its successors and assigns.

This **Note** is secured by a Deed of Trust of even date herewith conveying real property and other security, which real property is briefly described as _____ located in the _____ of _____, Virginia, and more fully described in said Deed of Trust, in which the Trustees are _____ and _____.

WITNESS the following signatures.

Signature of Borrower

Signature of Borrower

Property Address:

COMMONWEALTH OF VIRGINIA
TOWN/CITY/COUNTY OF _____

This is to certify that this is the Note described in and secured by a Deed of Trust dated _____, 20____, on the Property located in _____, Virginia.

SIGNATURE: _____
Notary Public

My commission expires: ____/____/____ Registration number: _____