

Form RD 1940-16
(Rev. 6-99)

Form Approved
OMB No. 0575-0172

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL HOUSING SERVICE

PROMISSORY NOTE

Type of Loan (1) Loan No. (2)

Date: (3) (4)

(Property Address)

(City or Town) (County) (State)

BORROWER'S PROMISE TO PAY. In return for a loan that I have received, I promise to pay to the order of the United States of America, acting through the Rural Housing Service (and its successors) ("Government") \$ (5) (this amount is called "principal"), plus interest.

INTEREST. Interest will be charged on the unpaid principal until the full amount of the principal has been paid. I will pay interest at a yearly rate of (6) %. The interest rate required by this section is the rate I will pay both before and after any default described below.

PAYMENTS. I agree to pay principal and interest using one of two alternatives indicated below:

(8a) I. Principal and interest payments shall be temporarily deferred. The interest accrued to (8b) shall be added to the principal. The new principal and later accrued interest shall be payable in (8c) regular amortized installments on the date indicated in the box below. I authorize the Government to enter the amount of such new principal here: \$ (8d), and the amount of such regular installments in the box below when such amounts have been determined. I agree to pay principal and interest in installments as indicated in the box below.

(9a) II. Payments shall not be deferred. I agree to pay principal and interest in (9b) installments as indicated in the box below.

I will pay principal and interest by making a payment every month. I will make my monthly payment on the (10a) day of each month beginning on (10a) and continuing for (10b) months. I will make these payments every month until I have paid all of the principal and interest and any other charges described below that I may owe under this note. My monthly payments will be applied to interest before principal. If on (10c), I still owe amounts under this note, I will pay those amounts in full on that date, which is called the "maturity date." My monthly payment will be \$ (10d). I will make my monthly payment at (10d) or a different place if required by the Government.

PRINCIPAL ADVANCES. If the entire principal amount of the loan is not advanced at the time of loan closing, the unadvanced balance of the loan will be advanced at my request provided the Government agrees to the advance. The Government must make the advance provided the advance is requested for an authorized purpose. Interest shall accrue on the amount of each advance beginning on the date of the advance as shown in the Record of Advances below. I authorize the Government to enter the amount and date of the advance as shown in the Record of Advances below. I authorize the Government to enter the amount and date of such advance on the Record of Advances.

HOUSING ACT OF 1949. This promissory note is made pursuant to title V of the Housing Act of 1949. It is for the type of loan indicated in the "Type of Loan" block at the top of this note. This note shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions of this note.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0172. The time required to complete this information collection is estimated to average 15 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

Used in connection with Single Family Housing (SFH) loans and property including those on Non-Program (NP) terms.

(see reverse)

<u>PROCEDURE FOR PREPARATION</u>	: <u>HB-1-3550 and HB-2-3550.</u>
<u>PREPARED BY</u>	: Loan approval official.
<u>NUMBER OF COPIES</u>	: Original and two copies.
<u>SIGNATURES REQUIRED</u>	: Original signed by borrower and by any person where necessary for required lien; cosigner, if required, copies conformed.
<u>DISTRIBUTION OF COPIES</u>	: Original processed via the Rural Housing Service field office terminal system and filed in lockable fire resistant file. Copy filed in borrower's case file. Copy to borrower. (After conversion to DLOS System, copy of executed note forwarded to Finance Office.)
<u>ADPS RELATED TRANSACTION CODE</u>	: IF, Loan Closing, if closing under <u>RD Instruction 1944-A</u> , closing will be accomplished through FASTeller as offices are converted to DLOS System and ADPS transactions will not apply.

INSTRUCTIONS FOR PREPARATION

System generated form:

- (1) Insert type of loan, section 502 or 504 Rural Housing Loan or NonProgram (NP) Loan.
- (2) Insert loan number.
- (3) Insert date on which loan is closed unless an earlier date is necessary.
- (4) Insert property address securing this loan.
- (5) Insert amount of loan in figures.
- (6) Insert applicable interest rate in figures.
- (7) Reserved.
- (8a) **Alternative I** – Check box and complete as applicable when principal and interest payments are deferred and accrued interest is capitalized and amortized with the principal over the remaining length of the loan. This alternative is to be used for section 502 loans when either the loan is closed before any loan funds are advanced or the loan funds are distributed by multiple advances. This alternative may also be used for rural housing disaster loans when all the loan funds are available at loan closing.
- (8b) Insert date the accrued interest will be capitalized which is the date the construction period will end and the loan closing date of the permanent loan.
- (8c) Enter the number of installments over which principal and interest will be amortized. The number of installments for monthly payments will be the number of years over which the loan is to be repaid times 12, less the number of deferred monthly installments or the construction term.
- (8d) Input the principal balance plus the accrued interest to be capitalized.

- (9a) **Alternative II** – To be checked and completed when payments are not to be deferred and all loan funds are disbursed in a single advance and are available at loan closing.
- (9b) Insert the number of monthly installments over which the loan is to be amortized. (Enter the number of years over which the loan is to be amortized times 12.)
- (10a) This box is used to record the date and amount of monthly principal and interest installments as determined in accordance with the applicable payment alternative checked above on the note. (Interest only installments are not to be recorded in this box.) If the loan is closed on the 29th, 30th or 31st of the month, payments will be due the 28th of each month.
- (10b) Insert the number of months the loan is amortized minus one.
- (10c) Enter final maturity date.
- (10d) Insert the monthly principal and interest payment and the following, “the post office address noted on my billing statement”.

PAGE 2 OF FORM RD 1940-16

LATE CHARGES. If the Government has not received the full amount of any monthly payment by the end of (11) days after the date it is due, I will pay a late charge. The amount of the charge will be (11) percent of my overdue payment of principal and interest. I will pay this charge promptly, but only once for each late payment.

BORROWER'S RIGHT TO PREPAY. I have the right to make payments of principal at any time before they are due. A payment of principal only is known as a "prepayment." When I make a prepayment, I will tell the Government in writing that I am making a prepayment.

I may make a full prepayment or partial prepayment without paying any prepayment charge. The Government will use all of my prepayments to reduce the amount of principal that I owe under this Note. If I make a partial prepayment, there will be no changes in the due date or in the amount of my monthly payment unless the Government agrees in writing to those changes. Prepayments will be applied to my loan in accordance with the Government's regulations and accounting procedures in effect on the date of receipt of the payment.

ASSIGNMENT OF NOTE. I understand and agree that the Government may at any time assign this note without my consent. If the Government assigns the note I will make my payments to the assignee of the note and in such case the term "Government" will mean the assignee.

CREDIT ELSEWHERE CERTIFICATION. I certify to the Government that I am unable to obtain sufficient credit from other sources at reasonable rates and terms for the purposes for which the Government is giving me this loan.

USE CERTIFICATION. I certify to the Government that the funds I am borrowing from the Government will only be used for purposes authorized by the Government.

LEASE OR SALE OF PROPERTY. If the property constructed, improved, purchased, or refinanced with this loan is (1) leased or rented with an option to purchase, (2) leased or rented without option to purchase for 3 years or longer, or (3) is sold or title is otherwise conveyed, voluntarily or involuntarily, the Government may at its option declare the entire remaining unpaid balance of the loan immediately due and payable. If this happens, I will have to immediately pay off the entire loan.

REQUIREMENT TO REFINANCE WITH PRIVATE CREDIT. I agree to periodically provide the Government with information the Government requests about my financial situation. If the Government determines that I can get a loan from a responsible cooperative or private credit source, such as a bank or a credit union, at reasonable rates and terms for similar purposes as this loan, at the Government's request, I will apply for and accept a loan in a sufficient amount to pay this note in full. This requirement does not apply to any cosigner who signed this note pursuant to section 502 of the Housing Act of 1949 to compensate for my lack of repayment ability.

SUBSIDY REPAYMENT AGREEMENT. I agree to the repayment (recapture) of subsidy granted in the form of payment assistance under the Government's regulations.

CREDIT SALE TO NONPROGRAM BORROWER. The provisions of the paragraphs entitled "Credit Elsewhere Certification" and "Requirement to Refinance with Private Credit" do not apply if this loan is classified as a nonprogram loan pursuant to section 502 of the Housing Act of 1949.

DEFAULT. If I do not pay the full amount of each monthly payment on the date it is due, I will be in default. If I am in default the Government may send me a written notice telling me that if I do not pay the overdue amount by a certain date, the Government may require me to immediately pay the full amount of the unpaid principal, all the interest that I owe, and any late charges. Interest will continue to accrue on past due principal and interest. Even if, at a time when I am in default, the Government does not require me to pay immediately as described in the preceding sentence, the Government will still have the right to do so if I am in default at a later date. If the Government has required me to immediately pay in full as described above, the Government will have the right to be paid back by me for all of its costs and expenses in enforcing this promissory note to the extent not prohibited by applicable law. Those expenses include, for example, reasonable attorney's fees.

PAGE 3 OF FORM RD 1940-16

NOTICES. Unless applicable law requires a different method, any notice that must be given to me under this note will be given by delivering it or by mailing it by first class mail to me at the property address listed above or at a different address if I give the Government a notice of my different address. Any notice that must be given to the Government will be given by mailing it by first class mail to the Government at (12) _____, or at a different address if I am given a notice of that different address.

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 do these things. The Government may enforce its rights under this note against each person individually or against all of us together. This means that any one of us may be required to pay all of the amounts owed under this note. The term "Borrower" shall refer to each person signing this note.

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

WARNING: Failure to fully disclose accurate and truthful financial information in connection with my loan application may result in the termination of program assistance currently being received, and the denial of future federal assistance under the Department of Agriculture's Debarment regulations, 7 C.F.R. part 3017.

(13) _____ Seal (13) _____ Seal
Borrower Borrower
(13) _____ Seal (13) _____ Seal
Borrower Borrower

RECORD OF ADVANCES					
AMOUNT	DATE	AMOUNT	DATE	AMOUNT	DATE
(14) (1) \$		(8) \$		(15) \$	
(2) \$		(9) \$		(16) \$	
(3) \$		(10) \$		(17) \$	
(4) \$		(11) \$		(18) \$	
(5) \$		(12) \$		(19) \$	
(6) \$		(13) \$		(20) \$	
(7) \$		(14) \$		(21) \$	
				TOTAL	\$

(12) Insert the mailing address of the Centralized Servicing Center (USDA/Rural Housing Service, c/o Customer Service Branch, Post Office Box 66889, St. Louis, Missouri 63166).

(13) Borrower signature required.

(14) Completed as appropriate when Alternative I is used.

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