**PROMISSORY NOTE**

**$XX,XXX.00 Date, 20\_\_**

FOR VALUE RECEIVED,the undersigned **Name** (the “Borrower”) promises to pay to **HABITATLENDER** (“Habitat”), or order, the principal sum of **\_\_\_\_\_\_\_ Dollars ($\_\_,000.00)**, without interest thereon, from the date hereof, as described below. The principal shall be payable at HABITATLENDER, LENDERADDRESS, CITY, Arkansas ZIPCODE, or such other place as the holder of this Note shall from time to time designate in writing, as follows:

**Part A – Amortizing Portion**

Of the total principal sum above, $**XX,XXX** (the “Part A Balance”) shall be paid in 359 consecutive monthly installments of $XXX.XX with a final 360th installment of $YYY.YY. The first installment payment is due and payable on FIRSTPAYMENTDATE. Subsequent installments shall be due and payable on the first of each month. Absent default, the Part A Balance shall not accrue any interest.

**Part B – Deferred Portion**

Of the total principal sum above, $**YY,YYY** (the “Part B Balance”) shall not require monthly payments. Absent default, payment of the Part B Balance will be deferred until the earlier of sale of the property described below or full forgiveness as further described herein. Following “project completion” as defined in that certain Homebuyer Agreement (the “Homebuyer Agreement”) among the Borrower, Habitat, and the Arkansas Development Finance Authority (“ADFA) and absent a default under the Homebuyer Agreement, the Part B Balance shall be forgiven pro rata over a 60/120/180-month period.

The payment of this Note is secured by a Mortgage of even date herewith upon property situated in PROPERTYCOUNTY County, Arkansas, more particularly described in Exhibit “A” (hereinafter the “Property”).

In the event default is made in the payment of any installment due hereunder, or any part thereof, or in the event default is made in the performance of any of the covenants or agreements on the part of the Borrower, and such default shall continue for a period of fifteen ( 15) days, time being of the essence, the entire principal indebtedness aforesaid remaining with accrued interest shall, at the option of the holder of this Note, thereupon become immediately due and payable without notice, and thereafter the said indebtedness shall bear interest at the maximum rate permitted by law until paid. Failure to exercise the said option at any time shall not constitute a waiver of the right to exercise it in the event of any subsequent default or breach.

In the event a monthly installment is not received by the holder of this Note, a one-time late charge of $25.00 will be accessed after fifteen (15) calendar days of the payment’s due date.

The Borrower agrees to indemnify the holder of this Note for all costs and reasonable attorney's fees incurred for services actually rendered in the collection of this Note.

This Note is further issued pursuant and subject to the Homebuyer Agreement. The holder of this Note is authorized, at its option, to declare the principal balance, together with charges and penalties, if any, immediately due and payable upon default in payment of any one or more installments as set out above at any time, or upon the happening of any of the following events, each of which is deemed an event of default:

1. Borrower fails, during the Period of Affordability, as defined in the Homebuyer Agreement, to maintain the Property as their principal residence; leases or subleases the Property; converts the Property to a non-residential use; or otherwise fails to comply with the terms of the Homebuyer Agreement. Upon the occurrence of any such event, the Borrower will be in breach of this Note and will be required to repay the entire HOME investment amount. The entire HOME investment includes any direct HOME assistance to the Borrower evidenced by this Note and also any additional HOME funds invested in the Property including any funds used by Habitat for the acquisition and development of the Property and any HOME funds used to pay project-related soft costs incurred by ADFA.
2. During the Period of Affordability, if Borrower transfers title of the Property either voluntarily (e.g. via sale) or involuntarily (e.g. via foreclosure), the Borrower will be required to repay the remaining unpaid Part A Balance and the remaining unforgiven Part B Balance. However, the Borrower will not be required to repay more than the Net Proceeds of the sale as defined herein. If there are no Net Proceeds, repayment is not required, and the HOME Program requirements are considered to be satisfied. The term “Net Proceeds” is defined as the sales price less the balance due on any mortgage loans senior to the Mortgage securing this Note and the reasonable and customary expenses of sale incurred by the Borrower (as seller of the Property). The right is reserved to the holder of this Note and ADFA to determine whether the sales price is comparable to the sales price in an arms-length transaction for a similar unit and whether any closing costs incurred by the Borrower are reasonable.

 **Borrower acknowledges that, upon demand of ADFA, this Note along with any mortgage or other security instrument may be assigned by Habitat to ADFA.**

Each maker, endorser, or guarantor of this Note hereby waive presentment for payment, notice of nonpayment, and notice of protest, and all requirements necessary to hold them liable as makers, endorsers, or guarantor and consent that the time of payment of the said indebtedness, or any installment or installments thereof, may be extended without notice.

 THIS NOTE IS GIVEN, executed and delivered under the seal of the undersigned as of the date first set out above.

*{Signature Page Follows}*

**Borrower(s)**

 By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 NAME

By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 NAME

STATE OF ARKANSAS

COUNTY OF COUNTY

BEFORE ME, the undersigned Notary Public, on this day personally appeared NAME(s), known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that s/he/they executed the same of the purposes and consideration expressed therein.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the \_\_\_\_\_ day of \_\_\_\_\_\_\_\_\_\_, 20\_\_.

 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 NOTARY PUBLIC, State of Arkansas

My Commission Expires: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Exhibit A**

**Legal Description**

*{Insert legal description}*