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| Subrecipient/State Information |
| Funding Source: Choose an item. | Federal Award Number: Choose an item. |
| Subrecipient/State Name “Lender”:  | Subrecipient/State Address:  |
| Subrecipient/State Contract Number:  | Subrecipient/State Contract Date:  |
| Applicant Information |
| **This Promissory Note takes effect on the date listed below. If the Note is amended, the previous versions are no longer valid.** |
| Promissory Note Version: Choose an item. |
| Applicant Name “Borrower”:  | Co-Applicant Name “Co-Borrower”:  |
| Applicant Address:  | Applicant City/State/ZIP: |
| Property’s Legal Description:  |
| Principal Amount: $ | Annual Interest Rate: Zero Percent (0%) |
| Annual Installment: $ |
| Promissory Note Effective Date: August 15, 2018 | Promissory Note Maturity Date:   |
| If this is the original Promissory Note for reconstruction/rehabilitation, the Promissory Note maturity date should be estimated to be 3 years plus 120 days for construction projects.  |

**Article 1**

**Section 1.1 Vocabulary Terms Defined**

The terms used in this agreement shall have, unless the context clearly indicates otherwise, the meanings specified within this Article:

1. **“Borrower”** means, collectively, the Applicant and any Co-Applicants, who up on receipt of funds from Lender, agrees to the repayment of those funds in accordance with the terms outlined in this Note.
2. **“Contract”** means an agreement between Lender, as primary Recipient of grant funds, and any other intermediary distributor of funds or Subrecipient.
3. **“Lender”** means the GLO in its capacity to make funds available to Borrower and Co-Borrowers, if any, with the expectation that those funds will be repaid in accordance with the terms outlined in this Note.
4. **“Maturity Date”** means the date on which the original principal amount of this Note becomes due in full and is reflected as an estimated time to be 3 years plus 120 days.
5. **“Note”** means this written agreement to pay the stated sum according to the provisions listed below, which may be executed in any number of counterparts, each of which shall be an original, but all of which, taken together, shall be deemed to constitute one and the same instrument.
6. **“Principal Amount”** means the total amount of funds borrowed by Borrower and Co-Borrower, if any, and, as that amount is repaid in accordance with the terms of this Note, the evolving outstanding balance.
7. **“Terms of Payment”** means the provisions contained herein that circumscribe the manner in which the Funds described in the foregoing Note are to be repaid.
8. **Contextual Note:** Where the context requires, use of singular nouns and pronouns in this Note include the plural, and vice versa.

**Article 2**

**Section 2.1 Overall Purpose**

The purpose of this Note is to evidence a forgivable loan of funds by Lender to Borrower and all Co-Borrowers, if any, for the construction, reconstruction or rehabilitation, according to Work Order, plans and specifications approved by Lender, of improvements to the Property for occupancy as Borrower’s and all Co-Borrowers’, if any, principal place of residence. These funds are provided in grant from and their expenditure is subject to the requirements of the CDBG-DR Program for disaster relief, long-term recovery, and restoration of housing as detailed in the State of Texas Plan for Disaster Recovery, and all amendments thereto. Where applicable, the terms and conditions of this Note are subject to the Contract, as amended, between Lender as grant “Subrecipient” and the Texas General Land Office as grant recipient. In the event of any conflict, the terms and conditions of the Subrecipient Contract shall govern over the terms and conditions of this Note.

**Section 2.2 Terms and Conditions**

This Note shall be binding upon and insure to the benefit of Lender, Borrower, Co-Borrower, if any, and their respective successors and assigns. Provided, however, that Borrower and Co-Borrowers, if any, may not, without advance written permission of Lender, assign any rights or powers nor delegate any duties of obligations under this Note.

**Section 2.3 Terms of Payment**

The Principal Amount shall be due and payable in three equal annual installments, beginning 1 year after the date of completion of improvements on the Property, and continuing annually for 2 years thereafter until the Maturity Date.

Provided, however, that for every year that Borrower complies, or all Co-Borrowers, if any, comply with the terms of this Note, any and all other documents executed in connection with this Note, and all requirements of the Community Development Block Grant Disaster Recovery (CDBG-DR) Program, the one-third annual installment amount due and payable under this Note shall be forgiven. And further provided that any unpaid and unforgiven debt under this Note shall be forgiven upon the death of Borrower and all Co-Borrowers, if any. Other instances in which the unpaid balance of this Note may be forgiven by Lender are described in the CDBG-DR Program’s Housing Guidelines administered by the Texas General Land Office, which are incorporated herein by reference.

**Section 2.4 Undertaking of the Parties**

1. **Repayment.** Subject to the terms and conditions of this Note, any and all other documents executed in connection with this Note, and all requirements of the CDBG-DR Program, Lender agrees to lend to Borrower, and to all Co-Borrowers, if any, the Principal Amount for the purpose stated above. Borrower agrees, and all Co-Borrowers, if any, agree to repay Lender the Principal Amount according to the Terms of Payment stated above.
2. **Principal Place of Residency Requirement.** As a condition of the loan, Borrower certifies, and all Co-Borrowers, if any, certify to Lender that the Property described above is his, her, or their principal place of residence. Borrower further certifies, and all Co-Borrowers, if any, further certify to Lender that the Property will continue as his, her, or their principal place of residence through the Maturity Date. Borrower understands and acknowledges, and all Co-Borrowers, if any, understand and acknowledge that during the term of this Note Lender may annually or at any other time require re-certification or other proof satisfactory to Lender that the Property remains his, her, or their principal place of residence.
3. **Satisfaction of Tax Obligations.** As a condition of the loan, Borrower certifies, and all Co-Borrowers, if any, certify to Lender that he, she, or they will pay all taxes and assessments due on the Property in a timely manner. Borrower understands and acknowledges, and all Co-Borrowers, if any, understand and acknowledge that during the term of this Note Lender may annually or at any other time require proof satisfactory to Lender that taxes and assessments have been so paid.
4. **Hazard Insurance.** As a condition of the loan, Borrower certifies, and all Co-Borrowers, if any, certify to Lender that he, she, or they have hazard insurance in force covering at a minimum the full replacement cost value of the Property, howsoever termed as hazard,

casualty, wind, flood, homeowners insurance or otherwise, and will maintain such insurance in force through the Maturity Date. Borrower understands and acknowledges, and all Co-Borrowers, if any, understand and acknowledge that during the term of this Note Lender may annually or at any other time require proof satisfactory to Lender that such insurance is, has been, and will be in force. Borrower understands and acknowledges, and all Co-Borrowers, if any, understand and acknowledge that failure to maintain required hazard insurance may result in ineligibility for any further federal disaster relief of any kind, including but not limited to CDBG-DR Program assistance. The purpose of this hazard insurance requirement is to protect the investment of the CDBG-DR Program in the Property. Accordingly, as a condition of the loan Borrower certifies, and all Co-Borrowers, if any, certify to Lender that in the event the Property is destroyed or damaged during the term of this Note by an occurrence covered under such hazard insurance, Borrower and all Co-Borrowers, if any, will reasonably pursue all available claims and apply any and all proceeds thereof to the construction, reconstruction or rehabilitation of the Property.

1. **Floodplain or Special Flood Hazard Area Designations.** As a condition of the loan only if the Property is located within a 100-year floodplain or Special Flood Hazard Area designated by the Federal Emergency Management Agency, Borrower certifies, and all Co-Borrowers, if any, certify to Lender that he, she, or they have flood insurance made available under the National Flood Insurance Act of 1968, 42 U.S.C. § 4001 *et seq.,* as amended, in force covering at a minimum the full replacement cost value of the Property, and will maintain such insurance in force through the Maturity Date. Borrower understands and acknowledges, and all Co-Borrowers, if any, understand and acknowledge that during the term of this Note Lender may annually or at any other time require proof satisfactory to Lender that such insurance is, has been, and will be in force. Borrower understands and acknowledges, and all Co-Borrowers, if any, understand and acknowledge that failure to maintain required flood insurance shall result in ineligibility for any further federal disaster relief of any kind, including but not limited to CDBG-DR Program assistance. The purpose of this flood insurance requirement is to protect the investment of the CDBG-DR Program in the Property located within the 100-year floodplain or Special Flood Hazard Area designated by the Federal Emergency Management Agency. Accordingly, as a condition of the loan Borrower certifies, and all Co-Borrowers, if any, certify to Lender that in the event such Property is destroyed or damaged during the term of this Note by an occurrence covered under such flood insurance, Borrower and all Co-Borrowers, if any, will reasonably pursue all available claims and apply any and all proceeds thereof to the construction, reconstruction or rehabilitation of the Property.
2. **Continuance of Obligations.** As a condition of the loan, Borrower certifies, and all Co-Borrowers, if any, certify to Lender that upon transfer of the Property he, she, or they will, on or before the date of such transfer, and as part of the documents evidencing such transfer, notify all transferees in writing of transferees’ continuing obligation to maintain required hazard insurance in force on the Property through the Maturity Date. As a condition of the loan only if the Property is located within a 100-year floodplain or Special Flood Hazard Area designated by the Federal Emergency Management Agency, Borrower further certifies,

and all Co-Borrowers, if any, further certify to Lender that upon transfer of the Property he, she, or they will, on or before the date of such transfer, and as part of the documents evidencing such transfer, notify all transferees in writing of transferees’ continuing obligation to maintain required flood insurance in force on the Property through the Maturity Date.

Borrower understands and acknowledges, and all Co-Borrowers, if any, understand and acknowledge that if he, she or they fail to provide such notice of required flood insurance to all transferees, and (1) no transferee subsequently maintains required flood insurance, (2) a Presidentially declared flood disaster damages the Property, and (3) one or more transferees receives federal disaster relief of any kind to repair, replace or restore the Property as a result of such flood, Borrower and all Co-Borrowers, if any, shall be required to reimburse the full amount of such disaster relief to the federal agency that provided it to transferees.

Borrower further understands and acknowledges, and all Co-Borrowers, if any, further understand and acknowledge, that if he, she or they fail to provide notice to all transferees of transferees’ duty to maintain required hazard insurance on the Property, and (1) no transferee subsequently maintains such insurance, (2) a Presidentially declared disaster damages the Property, and (3) one or more transferees receives federal disaster relief of any kind to repair, replace or restore the Property as a result of such disaster, Borrower and all Co-Borrowers, if any, may be required to reimburse the full amount of such disaster relief to the federal agency that provided it to transferees.

As a condition of the loan, Borrower certifies, and all Co-Borrowers, if any, certify to Lender that upon completion of improvements he, she, or they will maintain the Property in good repair through the Maturity Date.

1. **Assignment of Rights to Reimbursement.** As a condition of the loan, Borrower hereby assigns, and all Co-Borrowers, if any, assign to Lender all of his, her, or their rights to reimbursement, and to all payments received, from any other program, insurance, or other source available to Borrower or Co-Borrowers for damage to the Property as a result of the same Presidentially declared disaster or disasters for which Borrower and all Co-Borrowers, if any, receive CDBG-DR Program assistance in accordance with this Note, or as a result of any damage to the Property incurred after such disaster or disasters but before commencement of Property construction, reconstruction, or rehabilitation with CDBG-DR Program funds. The purpose of this assignment is to prevent duplication of benefits to Borrower and all Co-Borrowers, if any, as prohibited by section 312 of the Stafford Act, 42 U.S.C. § 5155, as amended. Such assignment includes, but is not limited to, reimbursement rights held and payments received by Borrower and all Co-Borrowers, if any, under any insurance policy covering damage to the Property, whether characterized as hazard, casualty, wind, flood, homeowner’s or otherwise, and payments received pursuant to federal disaster relief programs conducted by the Federal Emergency Management Agency, Small Business Administration, National Flood Insurance Program, or other federal agency. In the event that Lender elects to pursue any right to reimbursement assigned under this Note, by subrogation or otherwise, Borrower agrees, and all Co-Borrowers, if any, agree to reasonably cooperate

with Lender, including allowing Lender to file suit in Borrower’s name or Co-Borrowers’ names, and participating in such suit proceedings. Such duty to cooperate also includes, but is not limited to, the execution by Borrower and all Co-Borrowers, if any, of other and further documents that may be necessary to accomplish the purpose of the assignment. In the event that Borrower or any Co-Borrower at any time receives payment for damage to the Property not included in the duplication of benefits analysis for calculation of Borrower’s or Co-Borrower’s CDBG-DR Program assistance award amount, as through settlement of an insurance claim after the award was made, Borrower and Co-Borrower agree to promptly pay the amount of such payment to Lender. In order to achieve the purpose of this assignment, Borrower agrees, and all Co-Borrowers, if any, agree to the release to Lender of non-public or confidential information about Borrower and Co-Borrowers by any insurer, federal agency, or other third party.

**Section 2.5 Events of Default**

A default exists under this Note if any of the following events occur:

1. Borrower fails, or any Co-Borrowers fail to comply with the terms and conditions of the loan or of this Note, any and all documents executed in connection with this Note, or any requirement of the CDBG-DR Program;
2. Any indebtedness to any person or entity holding a lien or security interest in the Property is refinanced in whole or in part, or is assumed by a new borrower, without the advance written permission of Lender and the Texas General Land Office;
3. All or any part of the Property, or any interest in it, is foreclosed upon, leased, or otherwise alienated by non-sale transfer, except that this clause (c) will not apply to:
4. A transfer not upon death between or among owners in common of the Property, whether by joint tenancy, tenancy in common or otherwise, who are also Co-Borrowers, if one or more Co-Borrowers continues to occupy the Property as his, her, or their principal place of residence;
5. A transfer by devise, descent or operation of law upon the death of an owner in common of the Property, whether by joint tenancy, tenancy in common or otherwise, if at least one other owner in common who is also a Co-Borrower remains alive and continues to occupy the Property as his or her principal residence; or
6. A transfer with the advance written permission of Lender and the Texas General Land Office to a person or persons eligible for housing assistance from the CDBG-DR program, if such person becomes a substitute Borrower, or persons become substitute Co-Borrowers, for the remaining term of this Note in a written amendment thereto;
7. All or part of the Property, or any interest in it, is sold; or
8. Borrower ceases, or all Co-Borrowers, if any, cease to occupy the Property as his, her or their principal place of residence. For the purpose of this clause (e), Lender may conclude that Borrower has, or all Co-Borrowers have ceased such occupancy if he or she is, or they

are absent from the Property more than 30 days without the advance written permission of Lender and the Texas General Land Office. Lender may likewise conclude that such occupancy has ceased if Borrower has, or all co-Borrowers have failed to provide to Lender required re-certification or other proof that the Property remains Borrower’s or Co-Borrowers’ principal place of residence.

**Section 2.6 Remedies**

1. Upon occurrence of any one or more of the Events of Default stated above, Lender shall send written Notice of Default to Borrower’s and Co-Borrowers’, if any, mailing address stated above, or to such other change of address Borrower has, or Co-Borrowers have provided Lender in writing.
	1. **Notice of Default:** Notice of Default shall be deemed to have been delivered upon actual receipt or upon deposit, if deposited in an official depository of the United States Postal Service, properly addressed to Borrower or Co-Borrowers, if any, marked certified mail, return receipt requested, and containing sufficient postage.
	2. **Cure of Default:** Borrower or Co-Borrowers, if any, shall thereupon cure the default within 30 days of such delivery, or such further time as Lender allows in writing.
	3. **Failure to Cure:** Upon failure by Borrower or Co-Borrowers, if any, to cure the default within the time stated above, Lender in its sole discretion may declare the unforgiven balance of this Note immediately due and payable without further notice, demand, presentation, notice of intent to accelerate, notice of acceleration protest or notice of protest of any kind, all of which Borrower and all Co-Borrowers, if any, expressly waive.
	4. **Unforgiven Balance:** Such unforgiven balance shall be calculated *pro rata* taking into account the number of days that have elapsed from the date of this Note to the date of the Event of Default within any of the 3 annual installment/forgiveness periods set forth in the Terms of Payment stated above.
	5. **Other Remedies:** Lender may further pursue any and all remedies available at law or in equity to collect the balance due and payable. In the event that Lender places this Note with the Texas Attorney General or other attorney for collection, or effects collection by legal proceedings of any kind, Borrower agrees, and all Co-Borrowers agree to pay Lender’s costs of collection, including but not limited to court costs and reasonable attorneys’ fees.

**2.7 Non-Waiver of Rights**

Lender’s failure or delay to exercise any right, power, or privilege under this Note shall not constitute a waiver thereof, nor shall any single or partial exercise of such right, power, or privilege preclude any other or further exercise of any other such right, power, or privilege. No waiver of or departure from the terms and conditions of the Note by Borrower or Co-Borrowers, if any, shall be effective unless the same is in writing and signed by the Parties.

**2.8 Miscellaneous**

1. All duties or obligations under this Note are the joint and several duties or obligations of each signatory.
2. This Note represents the final agreement, unless amended in writing, between or among the Parties regarding the subject matter thereof, and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreement. There are no unwritten agreements between or among the Parties.
3. No modification or amendment of this Note shall be valid or effective unless it is in writing and signed by the Party against whom it is sought to be enforced.
4. This Note shall be binding upon and inure to the benefit of Lender, Borrower, and all Co- Borrowers, if any, and their respective successors and assigns. Provided, however, that Borrower and Co-Borrowers may not, without the advance written permission of Lender, assign any rights, powers, duties or obligations under this Note.
5. This Note shall be governed by and construed in accordance with the law of the State of Texas and applicable federal law.
6. This Note may be separately executed in any number of counterparts, each of which shall be an original, but all of which, taken together, shall be deemed to constitute one and the same instrument.

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| Signatures |
| Borrower Name:  |
| Borrower Signature: | Date:  |
| Co-Borrower Name:  |
| Co-Borrower Signature: | Date:  |
| Lender (or Authorized Representative’s) Name:  |
| Lender (or Authorized Representative’s) Signature: | Date:  |