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| **GLO Designated Representative Information** |
| **Funding Source**: Choose an item. | **Federal Award Number:** Choose an item. |
| **Lender:****Texas General Land Office (GLO)** |  |
| **GLO Designated Representative:**  | **GLO Designated Representative Address:**  |
| **GLO Designated Representative Work Order Number:** | **GLO Designated Representative Work Order Date:** |
| **Borrower Information** |
| **Promissory Note Version:** Choose an item. |
| **Borrower:**  |
| **Additional Borrower(s) Name(s):**  |
| **Property Address:**  | **Property City/State/ZIP:** |
| **Property’s Legal Description:**  |
| **Principal Amount: $** | **Annual Interest Rate: Zero Percent (0%)** |
| **Annual Installment: $** |
| **Promissory Note Effective Date:** ENTER DATE | **Promissory Note Maturity Date\*:** ENTER DATE |
| \*Maturity Date will be adjusted based on construction period and builder’s final inspection of the Property. |

**Article 1**

**Section 1.1 Definitions**

The terms used in this Unsecured Forgivable Promissory Note shall have, unless the context clearly indicates otherwise, the meanings specified within this Article:

1. **“Action Plan”** means a State of Texas plan submitted to and approved by HUD outlining the proposed activities to be funded by one or more CDBG-DR allocations from the U.S. Department of Housing and Urban Development. Action Plans are available on the GLO’s disaster recovery website at <http://recovery.texas.gov/local-government/hud-requirements-reports/index.html>.
2. **“Borrower(s)”** means a HAP participant who receives HAP funding as governed by this Note.
3. **“CDBG-DR**” means Community Development Block Grant Disaster Recovery Program administered by HUD.
4. “**Disaster**” (or collectively “**Disasters**”) means weather-related event for which the Presidentially-declared disaster event for which the GLO is administrating CDBG-DR funding relating to the Program.
5. **“Effective Date”** means the date on which all terms, conditions, and obligations of the Note become effective and binding. The Effective Date shall be the date noted in the Borrower Information table herein.
6. **“GLO”** means the Texas General Land Office.
7. **“GLO Designated Representative”** or **“GDR”** means a vendor procured by the GLO to provide services necessary to implement the Program or act on behalf of the GLO.
8. **“Effective Date”** means the date on which all terms, conditions, and obligations of the Note become effective and binding. The Effective Date shall be the date noted in the Borrower Information table herein.
9. **“HAP” or “Program”** means the GLO’s Homeowner Assistance Program, administered by the Lender using an allocation of HUD CDBG-DR funding allocated under the GLO Action Plans, under which the Lender shall issue forgivable loans to assist eligible homeowners in rehabilitating, reconstructing, or newly constructing their principal place of residence damaged by one of the Disasters.
10. **“HUD”** means the U.S. Department of Housing and Urban Development.
11. **“Lender”** means the GLO in its capacity to make funds available to Borrower(s) with the expectation that those funds will be repaid in accordance with the terms outlined in this Note.
12. **“Low- to Moderate Income Household”** or **“LMI Household”** means a household with an annual income that is below 80% of the area’s median income, adjusted for family size, as verified by the Lender.
13. **“Maturity Date”** means the date on which all obligations of the Note cease, as identified above after the Effective Date of this Note.
14. “**Party”** or **“Parties”** means one or more of the individuals or entities executing this Promissory Note and agreeing to be bound by the terms and conditions herein.

(o)“**Principal Amount”** means the total amount of funds borrowed by Borrower(s) and, as that amount is forgiven or repaid in accordance with the terms of this Note, the evolving outstanding balance.

(p)“**Promissory Note”** or **“Note”** means this written agreement, including any amendments, between the Borrower(s)and the Lender in which the Borrower(s) agree 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.

(q)“**Property”** means the real property, that was damaged as a result of the Presidentially-declared Disaster, owned and inhabited by Borrower(s) as his, her, or their primary residence.

(r)“**Terms of Payment”** means the provisions contained herein that circumscribe the manner in which the funds described in this Note are to be repaid.

**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 Purpose**

The purpose of this Note is to set forth the rights and obligations governing an unsecured forgivable loan of funds by Lender to Borrower(s) under the State of Texas CDBG-DR HAP for the rehabilitation, reconstruction, or new construction of improvements to Borrower(s)’ principal place of residence (“the Property”) in accordance with the plans and specifications approved by Lender. The expenditure of CDBG-DR funds by the GLO is subject to the requirements of the U.S. Department of Housing and Urban Development (“HUD”) CDBG-DR Program for disaster relief, long-term recovery, and restoration of housing, as detailed in the GLO’s Action Plans and all amendments thereto.

**Section 2.2 Successors and Assigns**

This Note shall be binding upon and inures to the benefit of Lender and Borrower(s), and their respective successors and assigns. Borrower(s) shall not, without advance written permission of the Lender, assign any rights or powers nor delegate any duties of obligations under this Note.

**Section 2.3 Conditions of Payment and Forgiveness of Note**

(a) **Conditions and Forgiveness.** The Principal Amount shall be due and payable in three equal annual installments for a total of three years, with the first installment due and payable one year after the Promissory Note Effective Date stated above, and a like installment due and payable on the same day of each succeeding year thereafter until the total Principal Amount is paid in full, provided however, that for each year that Borrower(s) comply with the terms of this Note, any and all other documents executed in connection with this Note, and all requirements of the Program, the installment amount due that year and payable under this Note shall be forgiven by Lender.

(b) **Forgiveness of Note in Death and other Circumstances.** Obligations under the Note may be forgiven in the following instances.

1) In the event that all Borrowers die before the Principal Amount in its entirety is repaid or forgiven under the terms of this Note and Borrower(s) have executed all documentation supporting this indebtedness, including the Note, subrogation agreement, agreement to participate, and/or any other required documentation in Lender’s discretion, then any unpaid and unforgiven debt still owing under this Note shall be forgiven by Lender.

2) Lender may also, on a case-by-case basis, forgive the Note before the Principal Amount, in its entirety, is repaid or forgiven under the terms of this Note in the event that Borrower(s) have executed all documentation supporting indebtedness, including the Note, subrogation agreement, agreement to participate, and/or any other required documentation in Lender’s discretion and all Borrowers are being or have been relocated due to documented mental or physical incapacitation.

**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 Program, Lender agrees to lend to Borrower(s) the Principal Amount for the purpose stated in Section 2.1, above. Borrower(s) agree to repay Lender the Principal Amount according to Section 2.3, above and the terms of this Agreement.
2. **Ownership and Principal Place of Residency Requirement.** As a condition of the loan, Borrower(s) represent and warrant to Lender that he, she or they possessed ownership interest in the Property and the Property was occupied as his, her, or their principal place of residence at the time the Property was damaged by the Disaster. Borrower(s) further represent and warrant to Lender that the Property will continue as his, her, or their principal place of residence through the Maturity Date, except in the event of a non-sale transfer described in Section 2.5(e), below. Borrower(s) understand and acknowledge that, during the term of this Note, Lender may require re-certification or other proof satisfactory to Lender that Borrower(s) possess ownership interest in the Property and the Property remains the Borrower(s)’ principal place of residence. Borrower(s) shall continue to occupy the Property until this Unsecured Forgivable Promissory Note is paid or forgiven in full by Lender.

Additional requirements under this Section for Low- to-Moderate-Income Households. If, upon review of Borrower(s)’ application under the Program, Borrower(s)’ household was determined by Lender to be a LMI Household, then the Property shall be considered encumbered by this Note, for the purposes of this Section, to ensure that the Property, during the term of this Note, is occupied by an LMI Household. Borrower(s)’ obligation to maintain compliance with the preceding LMI Household requirement shall for all purposes be deemed to be a covenant and agreement included in this Note and the Property shall not be sold or transferred without Lender’s prior, written consent. As part of the Lender’s approval process, Lender must determine whether the buyer or transferee household is an LMI Household and Lender shall not approve the sale or transfer to a buyer or transferee household that does not qualify as an LMI Household.

1. **Satisfaction of Tax Obligations.** Borrower(s) represent and warrant to Lender that he, she, or they shall pay all taxes and assessments, including any installment payments, due on the Property to the prevailing jurisdiction(s) until the Note is paid or forgiven in full. Borrower(s) understand and acknowledge that, during the term of this Note, Lender may require proof satisfactory to Lender that taxes and assessments have been so paid.

If Borrower(s) were on a payment plan previously agreed upon with the prevailing jurisdiction prior to the execution of this Note, continued installment payments shall be maintained as documented and accepted by Lender at origination.  If the payment plan documented and approved at application origination is subsequently altered by written agreement with prevailing jurisdiction, such proof of new agreement will be provided to Lender, within ten (10) days of execution of payment plan, and new installment payments shall proceed as documented.

The obligation of Borrower(s) to make such payments, including installment payments, and to provide receipts to the Lender, if requested, shall, for all purposes, be deemed to be a covenant and agreement contained in this Note.

(d) **Insurance.**  Borrower(s) represent and warrant to Lender that he, she, or they have 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(s) 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. Accordingly, Borrower(s) represent and warrant to Lender that in the event the Property is destroyed or damaged during the term of this Note by an occurrence covered under such insurance, Borrower(s) will reasonably pursue all available claims and apply any and all proceeds thereof to the reconstruction, new construction, or rehabilitation of improvements to the Property.

(e) **Floodplain or Special Flood Hazard Area Designations.** If the Property is located within a 100-year floodplain or Special Flood Hazard Area designated by the Federal Emergency Management Agency, Borrower(s) represent and warrant 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 in an amount prescribed by FEMA’s National Flood Insurance Program, and will maintain such insurance in force through the Maturity Date. Borrower(s) understand and acknowledge that, during the term of this Note, Lender may require proof satisfactory to Lender that such insurance is, has been, and will be in force. The purpose of this flood insurance requirement is to protect the investment of the 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(s) represent and warrant 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(s) will reasonably pursue all available claims and apply any and all proceeds thereof to the construction, reconstruction or rehabilitation of the Property.

Furthermore, Borrower(s) understand and acknowledge that failure to maintain federally mandated required flood insurance beyond the scope of this Note and into perpetuity will result in ineligibility for any further federal disaster relief of any kind, including, but not limited to, Program assistance.

Borrower(s) that reside outside of a designated Special Flood Hazard Area are strongly encouraged to purchase flood insurance for the Property, if the Property has previously been damaged by a flood, to protect against economic risks from potential future flooding.

(f) **Continuance of Obligations.** If the Property is located within a 100-year floodplain or Special Flood Hazard Area designated by the Federal Emergency Management Agency, Borrower(s) further represent and warrant to Lender that, upon transfer of the property, he, she, or they will, on or before the date of such transfer, and as a part of the documents evidencing such transfer, notify all transferees in writing of transferees’ continuing obligation to maintain flood insurance in perpetuity in order to preserve eligibility for future federally funded disaster assistance, as required by federal law (42 U.S.C. §5154a).

Borrower(s) 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 damage, Borrower(s) shall be required to reimburse the full amount of such disaster relief to the federal agency that provided it to the transferees.

As a condition of the loan, Borrower(s) represent and warrant to Lender that, upon completion of improvements, he, she, or they will maintain the Property in good repair through the Maturity Date.

(g) **Assignment of Rights to Reimbursement.** Borrower(s) assign to Lender all of his, her, or their rights to any and all reimbursement from any other program, insurance, or other source available to Borrower(s)for damage to the Property resulting from the Disaster for which Borrower(s) receive Program assistance, in strict conformance with the terms and conditions of this Note and the Subrogation Agreement executed by the Parties concurrently herewith. The purpose of this assignment is to prevent duplication of benefits to Borrower(s) as prohibited by section 312 of the Stafford Act, 42 U.S.C. § 5155, as amended.

**Section 2.5 Event(s) of Default**

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

1. Borrower(s) 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(s) of the Program.
2. A representation or warranty is made herein, or in any other document executed in connection with this Note by the Borrower(s) that is determined to be false or misleading in any material respect;
3. Lender determines that the Borrower(s) are ineligible to participate in Program after the execution of this Note or amendment(s) to the Note;
4. Any indebtedness to any person or entity holding a lien or security interest in the Property is incurred and/or refinanced in whole or in part, or is assumed by a new borrower, without the advance written permission of Lender;
5. 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 (d) will not apply to:
6. A transfer not upon death between or among owners in common of the Property, whether by joint tenancy, tenancy in common or otherwise, if one or more Borrower(s) continue to occupy the Property as his, her, or their principal place of residence;
7. 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 Borrower remains alive and continues to occupy the Property as his or her principal residence; or
8. A transfer with the advance written permission of Lender to a person or persons eligible for housing assistance from the Program, if such person becomes a substitute Borrower(s)for the remaining term of this Note in a written amendment thereto;
9. All or part of the Property, or any interest in it, is sold without Lender’s prior, written approval;
10. Borrower(s) fail or cease to occupy the Property as his, her, or their principal place of residence during the term of this Note. For the purpose of this clause, Lender may conclude that Borrower(s) 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. Lender may likewise conclude that such occupancy has ceased if Borrower(s) have failed to provide to Lender required re-certification or other proof that the Property remains Borrower(s)’ principal place of residence; or
11. Failure to maintain tax obligations pursuant to Section 2.4(c).

**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) to the mailing address stated above, or to such other address Borrower(s) 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(s), marked certified mail, return receipt requested, and containing sufficient postage.
	2. **Cure of Default:** Borrower(s) 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(s) 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(s) 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(s) agree to pay Lender’s costs of collection, including but not limited to court costs and reasonable attorneys’ fees.
2. Before the completion of rehabilitation, reconstruction, or new construction of improvements to the Property, and upon the occurrence of an Event of Default described in Section 2.5(c), above, and an initial determination by Lender that Borrower(s) are ineligible for Program assistance, this Note shall be considered null and void immediately. Upon such determination of ineligibility and nullification of this Note, Lender shall notify Borrower(s) of same and pursue any and all remedies available at law or available under the Program, including, but not limited to, seeking reimbursement for the total amount of funds expended by the Lender for rehabilitation, reconstruction, or new construction of improvements to the Property on behalf of the Borrower(s).

**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(s) shall be effective unless the same is in writing and signed by the Parties.

**2.8 Miscellaneous**

1. If the Note is amended, such amendment shall be a full restatement of the Note and shall supersede the Note and any prior amendments executed.
2. Parties shall execute an original Promissory Note prior to commencement of rehabilitation, reconstruction, or new construction services of improvements to the Property. Upon completion of rehabilitation, reconstruction, or new construction services and, if required, from time to time during the term of the Note, Borrower(s) shall execute any amendments to the Note provided by the GLO, including, but not limited to, changes reflecting additional costs associated with the rehabilitation, reconstruction, or new construction services and corresponding changes to the Note’s Effective and Maturity Dates.
3. All duties or obligations under this Note are the joint and several duties or obligations of each signatory.
4. 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.
5. No modification or amendment of this Note shall be valid or effective unless it is in writing and signed by the Parties against whom it is sought to be enforced.
6. This Note shall be governed by and construed in accordance with the law of the State of Texas and applicable federal law.
7. 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** |
| Under penalties of perjury, I certify that the information presented in this document is true and accurate to the best of my knowledge and belief. I further understand that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in my ineligibility to participate in this program or any other programs that will accept this document. **Warning: Any person who knowingly makes a false claim or statement to HUD may be subject to civil or criminal penalties under 18 U.S.C. 287, 1001 and 31 U.S.C. 3729.** |
| **Borrower Name:** | **Date:** |
| **Borrower Signature:** |
| **Additional Borrower(s) Name(s):** | **Date:** |
| **Additional Borrower(s) Signature(s):** |
| **Lender (or GLO Designated Representative’s) Name:** | **Date:** |
| **Lender (or GLO Designated Representative’s) Signature:** |