RURAL HOUSING TRUST FUND

PROMISSORY NOTE

$\_\_\_\_\_\_\_\_.00 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, Kentucky

\_\_ \_\_\_\_, 20\_\_

FOR VALUE RECEIVED, **HOMEBUYER(S) FULL LEGAL NAME**, whose address is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (“Borrower” whether singular or plural), jointly and severally (if more than one Borrower), promises to pay to **LENDING ENTITY** ("Lender"), a nonprofit corporation, whose address is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, and its successors and assigns, the principal sum of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and 00/100 Dollars ($\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.00) (“Indebtedness”), together with interest thereon at the rate of zero percent (0%) per annum to be computed from the date of each disbursement, calculated, and paid in the manner hereinafter set forth, as follows:

Provided no default occurs, and remains uncured, hereunder or under the Mortgage or Declaration of Covenants and Restrictions of even date herewith (“Loan Documents”), no payment of principal and interest shall be due under this Note. Provided no default occurs, and remains uncured, hereunder or under the Loan Documents, the outstanding principal amount due under this Note shall be forgiven by the Lender on the anniversary date of the Note each year, subject to the limitations in the next sentence, in an amount equal to \_\_\_\_\_ percent (\_\_%) of the original principal amount of this Note (or so much thereof as may have been advanced). Any amounts previously forgiven by Lender will also be subject to recapture and repayment by Borrower if Lender determines in its sole discretion that an Event of Default occurred for any such prior periods. Any outstanding but unpaid interest under this Note shall be due and payable no later than \_\_ years from the date of this Note or \_\_\_\_\_(insert maturity date)\_\_\_\_\_, 20\_\_, whichever is later (“Maturity Date”).

The undersigned will pay to Lender or the subsequent holder of this Note a late charge equal to five percent (5%) of any installment of principal or interest not received within ten (10) days after such installment is due. This late charge may be assessed without notice, be immediately due and payable, and be in addition to all other rights and remedies available to Lender.

Unless otherwise agreed to in writing, or otherwise required by applicable law, any payments required under this Note will be applied first to accrued, unpaid interest, then to principal, and then any remaining amount to any unpaid costs or charges, provided however, upon the occurrence and continuance of an Event of Default, Lender reserves the right to apply payments in its sole discretion.

Any payment due under this Note on a day which is not a business day will be made on the succeeding business day and any resulting extension of time will be included in the computation of the interest payment amount.

All interest hereunder will be computed on the basis of a year of 360 days, and in each case will be payable for the actual number of days elapsed.

The loan evidenced by this Note is being made from funds provided to Lender by Kentucky Housing Corporation (“KHC”) under the Rural Housing Trust Fund (“RHTF”) Program. Proceeds of this Note are being made available by Lender to Borrower and are secured by Borrower’s principal residence (which is also the property described in the Mortgage).

The occurrence and continuation, subject to any applicable cure periods, of any of the following constitutes an Event of Default: (1) any installment of interest or the payment of principal remains unpaid for more than ten (10) days after the due date thereof (without any further demand or notice); (2) the Borrower is the subject of any voluntary or involuntary bankruptcy, receivership or other insolvency proceeding; (3) the Borrower fails to observe or perform any of the terms of this Note; (4) there is any default by Borrower under the Mortgage, defined below, or any other document, instrument or agreement providing any security for this Note; (5) the property described in the Mortgage is sold, transferred or further encumbered without Lender’s prior written consent prior to the Maturity Date of this Note; (6) there is a default by Borrower under this or any other indebtedness, liability or obligation to Lender, whether direct, contingent, absolute, joint or several, or heretofore or hereafter incurred, and whether or not the incurrence of same was reasonably foreseeable; (7) Borrower fails to occupy, establish and use the property described in the Mortgage as Borrower’s principal residence (at least one Borrower, if initially more than one person is borrowing); (8) there is a default by Borrower under any other loan, indebtedness, liability or obligation to another party that is secured by the property described in the Mortgage, (9) Borrower submits incomplete, false or misleading information to Lender prior to or subsequent to the date of this Note.

If an Event of Default occurs and is continuing, subject to any applicable cure periods, then Lender or the holder of this Note may declare the remaining principal balance of this Note (or so much thereof as may have been advanced) to be immediately due and payable in full. In the Event of Default under this Note, interest will accrue on the entire unpaid balance at a rate of five percent (5%) per annum from the date the default is declared until the default is cured. Time is of the essence in the payment of all installments of principal and accrued interest on this Note.

Any waiver of any default hereunder or under the instruments securing this Note at any time will not, at any other time, constitute a waiver of the terms of this Note or the instruments securing it, or the right to exercise the same at any other time. The acceptance of payments upon the Indebtedness will not constitute a waiver of the option of Lender or the holder of this Note to accelerate repayment of the entire unpaid balance, unless Lender or the holder expressly grants such waiver in writing.

This Note evidences indebtedness incurred under, and is subject to the terms and provisions of, a Funding Agreement between KHC and Lender as well as Lender’s Guidelines, and this Note is expressly subject to and will be bound by the terms and conditions set forth in such Funding Agreement and Lender’s Guidelines as if all of such terms and conditions were expressly set forth herein.

This Note is also secured by and is the same Note mentioned in a real estate mortgage of even date herewith executed in favor of Lender by the Borrower (“Mortgage”), and this Note is expressly made subject to and will be bound by the terms and conditions set forth in said Mortgage as if all of such terms and conditions were expressly set forth herein. All sums which will or may become due and payable by the Borrower in accordance with the provisions of this Note will be deemed to constitute additional interest on, be evidenced by this Note, and secured by the Mortgage and the other Loan Documents.

The Borrower and all persons now or hereafter liable, whether primarily or secondarily, for the whole or any part of the Indebtedness, jointly and severally:

1. agree to remain and continue to be responsible for the payment of the principal of and interest on this Note notwithstanding any extension or extensions of time of the payment of the principal or interest, or any change or changes by way of release or surrender of any collateral, real or personal, held as security for the payment of this Note, and waive all and every kind of notice of such extension or extensions, change or changes, and agree that the same may be made without the joinder of any such persons;
2. waive presentment, notice of dishonor, protest, notice of protest and diligence in collection, and all exemptions, whether homestead or otherwise, to which they or any of them may now or hereafter be entitled under the laws of Kentucky or any other state; and

(c) agree, upon the occurrence and continuance of an Event of Default, to pay all costs of collection, securing or attempting to collect or secure this Note, including a reasonable attorneys’ fee, whether same be collected or secured by suit or otherwise, providing the collection of such costs and fees is permitted by applicable law.

This Note may be assigned in whole or in part by Lender or any other holder hereof.

The Borrower may prepay the principal amount outstanding in whole or in part at any time without penalty.

The Borrower (and the undersigned representative(s) of the Borrower) represents that the Borrower has full power, authority, and legal right to execute and deliver this Note and that this Note constitutes a valid and binding obligation of the Borrower.

This Note will be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

**REMAINDER OF PAGE INTENTIONALLY BLANK**

**BORROWER HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY LITIGATION BASED HEREON OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THE LOAN EVIDENCED HEREBY OR ANY AGREEMENT CONTEMPLATED TO BE EXECUTED IN CONJUNCTION HEREWITH, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN), OR ACTIONS OF ANY PARTY, WHETHER HAVING OCCURRED PRIOR TO THE DATE HEREOF OR OCCURRING DURING THE TERM OF THE LOAN. THIS PROVISION IS A MATERIAL INDUCEMENT FOR LENDER MAKING THE LOAN EVIDENCED HEREBY. THIS WAIVER IS GRANTED BY THE BORROWER AFTER THE BORROWER HAS HAD AN OPPORTUNITY TO CONSULT WITH ITS LEGAL ADVISOR, AND THE BORROWER, HAVING SEPARATELY AUTHENTICATED THIS WAIVER, ACKNOWLEDGES THAT IT UNDERSTANDS THE MEANING OF THIS WAIVER.**

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

Homebuyer’s Full Legal Name

COMMONWEALTH OF KENTUCKY )

)SS.

COUNTY OF \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_\_, 20\_\_, by Homebuyer Full Name.

My commission expires: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

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

NOTARY PUBLIC,

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

[Second Homebuyer or Spouse Full Legal Name (if applicable)]

COMMONWEALTH OF KENTUCKY )

)SS.

COUNTY OF \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_\_, 20\_\_, by [Second Homebuyer or Spouse Full Legal Name].

My commission expires: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

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

NOTARY PUBLIC,