

City of Minneapolis
Minneapolis Homes Development Assistance - Homebuyer Assistance

PROMISSORY NOTE

_____	City of Minneapolis, Minnesota
Date of Note: _____, 20	Maturity Date: _____, 20

In the amount and manner hereinafter specified, for value received, the undersigned (the "Borrower"), promises to pay to the order of the **City of Minneapolis**, a Minnesota municipal corporation (the "Holder") at 505 Fourth Avenue South, Room 320, Minneapolis, Minnesota 55415, or at such other location as Holder may direct, the principal sum of _____ (the "Original Note Amount"), without interest from Net Proceeds, on the Maturity Date as hereinafter defined.

This Note is secured by a Mortgage on real property located at _____, Hennepin County, Minnesota (the "Property"), which was improved with funding under the Minneapolis Homes Development Assistance Program.

The Original Note Amount shall be due and payable out of Net Proceeds on or before _____, 20__ (the 30-year anniversary of the date of this Note and "Maturity Date"), provided, however, the Original Note Amount will be immediately due and payable out of Net Proceeds upon the occurrence of any one of the following events:

1. Borrower voluntarily or involuntarily, no longer uses the Property as his/her/their principal residence; or
2. Borrower leases, sells, transfers, mortgages or pledges all or any part of the Borrower's interest in the Property without prior written consent of the Holder; provided, however, (a) if the Borrower owns the Property as co-tenants, a transfer of the Property or any interest therein, from one co-tenant to another co-tenant whether by reason of death or otherwise, shall not be considered a transfer; (b) a taking by eminent domain shall not be considered a transfer unless it is a total taking in the sense that payment is made for the full value of the Property; (c) the creation of a lien or encumbrance subordinate to the Homebuyer Mortgage shall not be considered a transfer; (d) the creation of a purchase money security interest for household appliances shall not be considered a transfer; and (e) a lease to a tenant if the Property is a duplex, provided the Borrower occupies the Property, shall not be considered a transfer; or
3. Borrower defaults on any terms, covenants or conditions of this Note or the Mortgage which secures it; or
4. Borrower defaults on any terms of a senior purchase money mortgage secured by the Property, including by way of illustration and not limitation, the failure to make payment pursuant to said senior purchase money mortgage.

Upon the occurrence of one of the events specified above (an "Event of Default"), the Holder shall mail notice to the Borrower specifying: (i) the Event of Default; (ii) the action require

to cure such Event of Default; (iii) a date not less than thirty (30) days from the date the notice is mailed to the Borrower by which date such Event of Default must be cured; and (iv) that failure to cure the Event of Default on or before the date specified in the notice may result in acceleration of the Note.

“*Net Proceeds*” means any and all consideration of any kind whatsoever, whether direct or indirect, that is received by the Borrower for, or in connection with, any sale, assignment, conveyance, transfer, lien or encumbrance of the Property (a “Transfer”), including without limitation, the stated purchase price, cash, notes, and any indebtedness assumed and/or to which the Property is then subject, interest on any deferred portion of the purchase price, and noncustomary net prorations in favor of seller; adjusted by deducting outstanding senior debt secured against the Property and customary closing costs. Notwithstanding the foregoing, if there is no Transfer of 100% of Borrower’s interests in the Property at the time of the Event of Default or Maturity Date or such Transfer is other than an arms-lengths transaction with a third party, at the option of the City, Net Proceeds shall mean the Fair Market Value of the Property less any outstanding Senior Debt secured against the Property.

“*Fair Market Value*” means the fair market value of the Property as determined by the most recent assessed value.

Borrower, for itself and its successors and assigns, specifically states that the Affordability Requirements of this Note are reasonable, acceptable and not unconscionable or against public policy in any way given the financial benefits of the transaction to Borrower, HUD, the City and the citizens of the City of Minneapolis, Minnesota, on behalf of whom Borrower, HUD and the City exercise the powers given them by law.

This Note may be assumed only upon written approval from the Note Holder.

This Note may not be prepaid without specific written approval from the Holder.

The lien created in the amount of the Original Note Amount shall be subordinate to the lien of the first mortgage for the Property.

In the event that the Borrower is notified directly or indirectly that foreclosure proceedings (by advertisement, action or otherwise) have been commenced or will be commenced, foreclosing any liens against the Property or any part thereof, including by way of illustration and not limitation, the foreclosure of the first mortgage encumbering the Property, then the Borrower shall immediately notify the Holder, in writing, of such proceedings.

Upon payment of this Note as provided herein, the Holder will, within thirty (30) days, upon written demand by the Borrower, execute a release and satisfaction.

Presentment, protest and notice of dishonor are hereby waived by the Borrower. The Borrower shall pay all costs incurred by the Holder hereof in the collection of this Note, including reasonable attorney's fees.

To secure payment of this Note, the Borrower will execute a Homebuyer Mortgage, as of the date of this Note.

If there is more than one Borrower under this Note, each person shall be considered a Borrower within the meaning of this Note, and each shall be jointly and severally responsible for payment under this Note.

DATED: _____

BORROWER(S):

Name:

Name:

**THIS INSTRUMENT IS EXEMPT FROM MORTGAGE REGISTRATION TAX UNDER MINNESOTA STATUTE §287.04(f)
City of Minneapolis
Minneapolis Homes Development Assistance - Homebuyer Assistance**

MORTGAGE

THIS INDENTURE, made this _____ day of _____, 201____, by _____, (a single person) (married), Mortgagor(s) in favor of the City of Minneapolis, a Minnesota municipal corporation, Mortgagee.

Witnesseth, that Mortgagor(s), in consideration of the sum of _____, the receipt of which is hereby acknowledged, do(es) hereby grant, bargain, sell, and convey unto the Mortgagee, its successors and assigns, forever, all the tract(s) or parcel(s) of land lying and being in the County of Hennepin, State of Minnesota, legally described as follows:

[Legal Description]

(the "Property").

To have and hold the same together with the hereditaments and appurtenances thereto belonging to Mortgagee, its successors and assigns, forever. And Mortgagor(s), for his/her/their heirs, administrators, executors and assigns, do(es) covenant with Mortgagee, its successors and assigns, as follows:

1. That he/she/they is/are lawfully seized of said Property and has/have good right to sell and convey the same; that the same are free from all encumbrances, except a first mortgage in the sum of \$ _____ dated _____ filed on _____ as Document No. _____, that Mortgagee, its successors and assigns, shall quietly enjoy and possess the same; and that Mortgagor(s) will warrant and defend the title to the same against all lawful claims not hereinbefore specifically excepted; and
2. The Property shall be maintained as a single family unit, occupied by the Mortgagor(s); and
3. The Mortgagor(s) will not lease, sell, transfer, mortgage or pledge all or any part of the Mortgagor(s)'s interest in the Property without prior written consent of the Mortgagee.

Provided that if Mortgagor(s), his/her/their heirs, administrators, executors or assigns shall pay to Mortgagee, its successors or assigns, the sum secured by this Mortgage, according to the terms of the promissory note of even date herewith (the "Note"), together with all sums advanced in protecting the lien of this Mortgage, in payment of taxes on said Property, insurance premiums covering buildings thereon, principal or interest on any prior liens, expenses and attorney's fees herein provided for and sums advanced for any other purpose authorized herein, and shall keep and perform all the covenants and agreements herein contained then this Mortgage shall be null and void, and to be released at the Mortgagor's expense.

Mortgagor(s), for his/her/their heirs, administrators and executors, do(es) hereby covenant and agree with Mortgagee, its successors and assigns, to pay the principal sum of money and interest as above specified; to pay all taxes and assessments now due or that may hereafter become liens against said Property at least ten days before penalty attaches thereto; to keep any buildings on said Property insured

by companies approved by Mortgagee against loss by fire and against loss by windstorm for at least the sum of the principal secured by this Mortgage plus any prior mortgages, and to deliver to Mortgagee the policies for such insurance with mortgage clause attached in favor of Mortgagee or its assigns; to pay, when due, both principal and interest of all prior liens or encumbrances, if any, above mentioned and to keep said Property free and clear of all other prior liens or encumbrances; to commit or permit no waste on said Property and to keep them in good repair; to complete forthwith any improvements which may hereafter be under course of construction thereon, and to pay any other expenses and attorney's fees incurred by Mortgagee, its successors or assigns, by reason of litigation with any third party for the protection of the lien of this Mortgage.

In the case of a default under the Note or a voluntary or involuntary sale or transfer of title of the Property before 30 years from the date hereof (the "Maturity Date"), the full amount of this Mortgage must be repaid. In the event of a voluntary or involuntary sale where the Mortgagee determines there are no net proceeds or where the Mortgagee determines that net proceeds are insufficient to repay the full amount of this Mortgage, the repayment will be equal to the net proceeds. Net proceeds are defined as the fair market value sales price of the Property minus the balance of the superior loan(s) and reasonable and customary closing costs.

In case of failure to pay said taxes and assessments, prior liens or encumbrances, association assessments, expenses and attorney's fees as above specified, or to insure said buildings and deliver the policies as aforesaid, the Mortgagee, its successors or assigns, may pay such taxes, assessments, prior liens, expenses and attorney's fees and interest thereon, or effect such insurance, and the sums so paid shall bear interest at the highest rate permitted by law from the date of such payment, shall be impressed as an additional lien upon said Property and be immediately due and payable from Mortgagor(s), his/her/their heirs or assigns, to Mortgagee, its successors or assigns, and this Mortgage shall from date thereof secure the repayment of such advances with interest.

In case of default in any of the foregoing covenants, the Mortgagor(s) confer(s) upon Mortgagee the option of declaring the unpaid balance of the Note, together with all sums advanced hereunder, immediately due and payable without notice, and hereby authorize and empower Mortgagee, its successors and assigns, to foreclose this Mortgage by action or advertisement, power being expressly granted to sell said Property at public auction and convey the same to the purchaser in fee simple in accordance with the statute, and out of the moneys arising from such sale to retain all sums secured hereby, with interest and all legal costs and charges of such foreclosure and the maximum attorney's fee permitted by law, which costs, charges and fees Mortgagor(s) agree(s) to pay.

In the case the Mortgagor(s) is/are notified directly or indirectly that foreclosure proceedings (by advertisement, action or otherwise) have been commenced or will be commenced, foreclosing any liens against the Property or any part thereof, including by way of illustration and not limitation, the foreclosure of the first mortgage encumbering the Property, then the Mortgagor(s) shall immediately notify, in writing, the Mortgagee of such proceedings.

This Mortgage shall automatically terminate in accordance with the terms set forth above, or upon the recording of a satisfaction executed by the City of Minneapolis, whichever occurs first.

In the event of a foreclosure or deed in lieu of foreclosure of a lien senior to this Mortgage, any provisions herein or any provisions in the promissory note secured hereby or other related document restricting the use of the Property to low or moderate income households or otherwise restricting the use of the Borrower's ability to sell the Property shall have no further force or effect on subsequent owners or purchasers of the Property.

IN TESTIMONY WHEREOF, Mortgagor(s) has/have hereunto set his/her/their hand the day and year first above written.

insert Mortgagor(s) name

insert Mortgagor(s) name

STATE OF MINNESOTA)

) ss.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this _____ day of _____, 201____,
by _____ and _____, as
_____ and _____.

Notary Public