

**PENNSYLVANIA HOUSING FINANCE AGENCY**  
**Keystone Forgivable in Ten Years Loan Program**

**SUBORDINATE MORTGAGE NOTE**

Date: \_\_\_\_\_, 20\_\_\_\_

**FOR VALUE RECEIVED**, the undersigned \_\_\_\_\_, jointly, separately and severally (collectively, "Borrower"), promise(s) to pay to the order of the **PENNSYLVANIA HOUSING FINANCE AGENCY**, a public corporation and government instrumentality having its principal office at 211 North Front Street, Harrisburg, PA 17101 ("PHFA"), at such place as PHFA may from time to time designate in writing, the principal sum of:

\_\_\_\_\_ Dollars (\$\_\_\_\_\_).

This Subordinate Mortgage Note ("Note") is accompanied and secured by a Subordinate Mortgage dated this date on real property owned by Borrower located at: \_\_\_\_\_

1. **INTEREST.** Interest shall not accrue on the sums advanced in connection with this Note.
2. **REPAYMENT.** Borrower must repay the outstanding balance of this loan upon the occurrence of any of the following events (each a "Repayment Event") during the term of this loan and prior to the end of the Forgiveness Period set forth below:
  - A. The property is rented, sold, or transferred; or
  - B. Borrower ceases to occupy the property which is secured by the Subordinate Mortgage as Borrower's primary residence; or
  - C. Borrower defaults under the terms of this Note or the accompanying Subordinate Mortgage or defaults under the first mortgage obligation; or
  - D. It is discovered that Borrower has submitted incomplete, false or misleading information in connection with this loan or Borrower's first mortgage loan, or fails to comply with any applicable federal or state laws in connection with the making of this loan; or

If not sooner paid or forgiven in accordance with the provisions below, any outstanding amount under this Note shall be due and payable on the tenth (10th) anniversary of the making of this Note.

3. **FORGIVENESS PERIOD.**
  - A. The "Forgiveness Period" is the ten (10) year period commencing with the making of this Note and ending on the tenth (10th) anniversary of the making of this Note.
  - B. While the property remains occupied as the primary residence of at least one Borrower and no Repayment Event described above has occurred, this Note is forgivable in nature. Provided no Repayment Event has occurred, each year on the anniversary date of the Note, ten percent (10%) of the original amount of the Note shall be forgiven. Borrower is responsible for any tax liability that may result from the forgiveness of debt, and should seek the advice of a tax accountant or tax counsel with any questions concerning the treatment of forgiven debt as income.
  - C. No prorated credit shall be given for a portion of a year. To qualify for forgiveness, at least one Borrower must own and occupy the residence for each full twelve (12) month period.
  - D. If Borrower becomes the subject of a foreclosure proceeding that results in the sale of part or all of the premises, any sums in excess of those paid to superior lien holders shall be paid to PHFA to apply to the outstanding balance of this loan. If there are insufficient funds to pay off this Note, PHFA may in its discretion waive the payment of any or all of the remaining outstanding loan balance.
  - E. Borrower shall be responsible for payment of all fees or costs associated with the satisfaction or release of the Subordinate Mortgage, either when the loan is paid off or at the end of the Forgiveness Period.

- 4. **PREPAYMENT.** Borrower may prepay the principal due on this Note in whole or in part at any time, without penalty.
- 5. **PRIMARY RESIDENCE.** Borrower hereby agrees that the real property secured by the Subordinate Mortgage accompanying this Note shall at all times be the primary residence of Borrower while any amount of the loan evidenced by the Note remains outstanding, and that a default under this provision shall be a Repayment Event causing any outstanding balance to become immediately due and payable.
- 6. **DISCLOSURE STATEMENT BY BORROWER.** Borrower hereby affirms that full, complete and accurate financial information has been submitted by Borrower in connection with this loan. Borrower further agrees to submit full and complete financial information to PHFA as requested by the Agency. In addition, Borrower promises to give PHFA immediate written notification of (1) any change of address, or (2) if and when the property is to be sold or transferred.
- 7. **ACCOMPANYING DOCUMENTS.** This Note is secured by a Subordinate Mortgage on the residence of Borrower and by other loan documents (collectively the "Loan Documents"). All the terms, covenants, agreements, conditions, warranties and provisions contained in the Loan Documents are hereby incorporated in this Note. A breach by Borrower of any of the terms of the Loan Documents shall also constitute a breach of the terms of this Note.
- 8. **TIME OF ESSENCE.** Time is of the essence with respect to each and every provision of this Note.

IN WITNESS WHEREOF, intending to be legally bound, Borrower has executed this Note on the date written above.

\_\_\_\_\_  
Borrower's signature

\_\_\_\_\_  
Borrower's signature (if applicable)

\_\_\_\_\_  
Co-Signer's signature (if applicable)

\_\_\_\_\_  
Co-Signer's signature (if applicable)

Mortgage Loan Officer's Name:  
  
\_\_\_\_\_

NMLS Number:  
  
\_\_\_\_\_

Loan Origination Organization  
  
\_\_\_\_\_

NMLS Number:  
  
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