

**1% DEFERRED
SECOND MORTGAGE NOTE**

Today's Date _____ At _____, Washington

Property Address: _____
_____, _____

1. BORROWER'S PROMISE TO PAY

In return for a loan I have received (the "Loan"), I promise to pay US\$ _____ (this amount will be called "Principal"), to the order of the Lender. The Lender is the Washington State Housing Finance Commission. I understand that the Lender may transfer this Note. The Lender or anyone who takes this Note by transfer and who is entitled to receive payments under this Note will be called the "Note Holder."

2. INTEREST

Interest shall accrue hereunder at the rate of one percent (1%) per annum (simple interest with no compounding).

3. PAYMENTS

I will pay all principal and interest on the earlier of (a) _____ (30 years); (b) the date on which the Primary Loan is paid in full; (c) the date on which I cease to use the property encumbered by the Deed of Trust (the "Property") as my primary residence; (d) the date on which the Property (or any interest thereon) is sold or otherwise transferred; or (e) the date on which the Primary Loan is refinanced (the earlier of such dates is called the "Maturity Date"). The "Primary Loan" is a loan made by Lender to me secured by a first deed of trust on the Property. However, I may be required to pay this Note in full before the Maturity Date if a default occurs under this Note or the Deed of Trust.

I will make my payment at _____, or at a different place if required by the Note Holder.

4. BORROWER'S FAILURE TO PAY AS REQUIRED

(A) Notice from Note Holder

If I do not pay the full amount when due, the Note Holder may send me a written notice telling me that if I do not pay the overdue amount by a certain date I will be in default. That date must be at least 10 days after the date on which the notice is mailed to me or, if it is not mailed, 10 days after the date on which it is delivered to me.

(B) Default

If I do not pay the overdue amount by the date stated in the notice described in (A) above, I will be in default. If I am in default, the Note Holder may require me to pay immediately the full amount of principal which has not been paid.

Even if, at a time when I am in default, the Note Holder does not require me to pay immediately in full as described above, the Note Holder will still have the right to do so if I am in default at a later time.

(C) Payment of Note Holder's Costs and Expenses

If the Note Holder has required me to pay immediately in full as described above, the Note Holder will have the right to be paid back for all of its costs and expenses to the extent not prohibited by applicable law. Those expenses include, for example, reasonable attorneys' fees.

5. THIS NOTE SECURED BY A DEED OF TRUST

In addition to the protections given to the Note Holder under this Note, a **Deed of Trust**, dated the same day as this Note, protects the Note Holder from possible losses which might result if I do not keep the promises which I make in this Note. That Deed of Trust describes how and under what conditions I may be required to make immediate payment in full of all amounts that I owe under this Note.

Some of those conditions are described as follows:

Transfer of the Property or a Beneficial Interest in Borrower. If all or any part of the Property or any interest in it is sold or transferred (or if a beneficial interest in Borrower is sold or transferred and Borrower is not a natural person), the date on which such sale or transfer occurs shall be the Maturity Date (unless an earlier Maturity Date has occurred). Upon occurrence of the Maturity Date, Borrower shall immediately pay in full of all sums secured by this Deed of Trust.

If Borrower fails to pay these sums when due, Lender may invoke any remedies permitted by this Deed of Trust without further notice or demand on Borrower.

6. BORROWER'S PAYMENTS BEFORE THEY ARE DUE

I have the right to make a payment of all principal due hereunder at any time before it is due. A payment of principal only is known as a "prepayment." When I make a prepayment, I will tell the Note Holder in a letter that I am doing so. A prepayment of all of the unpaid principal is known as a "full prepayment." I may make a full prepayment only; I may not make partial prepayments if the loan has matured.

7. BORROWER'S WAIVERS

I waive my rights to require the Note Holder to do certain things. Those things are: (A) to demand payment of amounts due (known as "presentment"); (B) to give notice that amounts due have not been paid (known as "notice of dishonor"); (C) to obtain an official certification of nonpayment (known as a "protest"). Anyone else who agrees to keep the promises made in this Note, or who agrees to make payments to the Note Holder if I fail to keep my promises under this Note, or who signs this Note to transfer it to someone else also waives these rights. These persons are known as "guarantors, sureties and endorsers."

8. GIVING OF NOTICES

Any notice that must be given to me under this Note will be given by delivering it or by mailing it by certified mail addressed to me at the Property Address above. A notice will be delivered or mailed to me at a different address if I give the Note Holder a notice of my different address.

Any notice that must be given to the Note Holder under this Note will be given by mailing it by certified mail to the Note Holder at the address stated in Section 3 above. A notice will be mailed to the Note Holder at a different address if I am given a notice of that different address.

9. RESPONSIBILITY OF PERSONS UNDER THIS NOTE

If more than one person signs this Note, each of us is fully and personally obligated to pay the full amount owed and to keep all of the promises made in this Note. Any guarantor, surety, or endorser of this Note (as described in Section 7 above) is also obligated to do these things. The Note Holder may enforce its rights under this Note against each of us individually or against all of us together. This means that any one of us may be required to pay all of the amounts owed under this Note. Any person who takes over my rights or obligations under this Note will have all of my rights and must keep all of my promises made in this Note. Any person who takes over the rights or obligations of a guarantor, surety, or endorser of this Note (as described in Section 7 above) is also obligated to keep all of the promises made in this Note.

10. CERTAIN RESTRICTIONS TERMINATE ON FORECLOSURE OF HUD-INSURED FIRST MORTGAGE

In the event of foreclosure or deed in lieu of foreclosure of prior security deed or assignment of the first mortgage to the Secretary of Housing and Urban Development, any provisions herein or any provisions in any other collateral agreement restricting the use of the property or otherwise restricting the Borrower's ability to sell the Property shall have no further force or effect. Any person (including his successors or assigns) receiving title to the Property through a foreclosure or deed in lieu of foreclosure of a prior security deed shall receive title to the Property free and clear from such restrictions.

NOTICE TO BORROWER:

**Do not sign this Note if it contains blank fields;
all blanks should be filled in before you sign.**

Sign the original only.

Date

Date

Date

LOAN ORIGINATOR ORGANIZATION: _____ NMLSR ID#: _____

INDIVIDUAL LOAN ORIGINATOR NAME: _____ NMLSR ID#: _____