PROMISSORY NOTE

Funding Partners

Mountain Regional Housing Corporation
Down Payment Assistance Program

Borrower(s) «bor_first_name» «borrower_initial» «bor_last_name»
«cobor_first_name» «coborrower_initial» «cobor_last_nan
(Referred to below as "I" , "me", or "my")

Date: «est_closing_date»

Loan Number: «filename»

Property address: «subject_address»
«subject_city», «subject_state» «subject_zip»

1. **BORROWER'S PROMISE TO PAY**

In return for a loan that I have received (the "Loan"), I promise to pay U.S. **$ «loan_amount».00** (this amount is referred to as "Principal"), plus interest, to the order of the Lender. The Lender is **Mountain Regional Housing Corporation**, a not-for-profit organization, organized and existing under the laws of the State of Colorado. The Lender, its' designee, or any party that accepts this Note by transfer and who is entitled to receive payments under this Note is called the "Note Holder".

(A) Loan Authority

The loan evidenced by this Note is being made pursuant to an appropriation of funds derived through the Colorado Division of Housing for the express purpose of assisting qualified residents within the Lender's service area to purchase their first home.

(B) Use of Funds

The Loan is being made in order to assist Borrower(s) in purchasing the real property described above (the "Property") by financing that portion of the down payment, closing costs and pre-paid items directly related to this transaction to the extent allowable under the maximum loan amount and minimum Borrower contribution authorized under the Lender program.

2. **INTEREST**

Interest will be charged on unpaid principal until the full amount of principal has been paid. I will pay interest at the rate of **«note_rate» %** per annum. The interest rate shown above is the rate I will pay both before and after any default hereunder.

3. **PAYMENTS**

(A) Time and Place of Payments

I will pay principal and interest (as provided in Section 2 above) by making payments every month.

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I will make payments on the **5th** day of each month beginning on **«first_payment»**. I will make these payments every month until I have paid all of the principal and interest, if any, and any other charges described below that I may owe under this Note. If interest is charged on the Loan, my monthly payments will be applied first to accrued interest, then principal. Additional payment amounts received shall be applied toward late charges or other fees due, with any remaining payment amounts applied to the principal loan balance as pre-payment. If, on **«final_payment»**, I still owe amounts under this Note, I will pay those amounts in full on that date, which is called the "Maturity Date".

If I fail to make payment for any amount less than full amount shown below by the **20th** day of each month while principal due under this Note is outstanding, Lender may elect to assess a late charge equal to **5.0%** of my regular payment amount. Election to waive or impose such late charge on one occasion shall not constitute waiver or imposition on another occasion.

I will make payments at the office of Funding Partners ("Loan Servicing Agent" as described in Section 1 above), whose office is located at **214 S. College Avenue, 2nd Floor, Fort Collins, CO 80524**, or at a different place if required by the Note Holder.

My monthly payments will be in the amount of U.S. **$«Monthly_Payment»**

(B) Acceleration of This Note

Lender may accelerate and declare all Note principal and accrued interest to be immediately due and payable in full upon notification of any of the following events: (a) I no longer occupy the Property as my primary residence or do not occupy the Property as my primary residence within sixty days of the execution of this Note; (b) I use the Property as collateral for any loan or indebtedness other than those Senior Lien Instruments executed at the time of this Note (defined in Section 8 below); (c) I transfer or sell any part of my interest in the Property; (d) I refinance any indebtedness due under and secured by a Senior Lien Instrument, or any portion of sums due under this Note; (e) I allow the property to be used in any manner that violates any laws, regulations or ordinances relating to zoning, building or health, or I allow the Property to be used for any purpose that may be determined to be illegal under any applicable law, regulation or ordinance; (f) If I die, my estate must settle this claim; or (g) I fail to make any payment when due under this Note or otherwise fail to comply with terms of this Note.

(C) Partial Release for Catastrophic Events

In the event of a Catastrophic Event resulting in a bona fide sale of the Property to a party not related to or affiliated with me, the Lender agrees to release and cancel the Subordinate Security Instrument (defined Section 10 below) upon payment to the Lender of the lesser of (i) all amounts owed to the Lender pursuant to the terms of the Note and the Subordinate Security Instrument, or (ii) all sale proceeds in excess of the amount owed to the Senior Lien Holder(s) (defined in Section 8 below) in accordance with the Senior Lien Security Instrument(s) (defined in Section 8 below) on the Property. The Lender shall have the right to require such verification and substantiation as the Lender shall deem necessary prior to any release of the Subordinate Security Instrument. Provided, however, the Lender's obligation to release and cancel the Subordinate Security Instrument for a Catastrophic Event shall only remain effective during such time as the Combined Loan-to-Value Ratio exceeds 100%.

For the purposes of this paragraph (C):

(i) The term "Catastrophic Event" shall mean my death or divorce, or an Extended Illness, occurring during the term of the Note, which event directly results in a verifiable financial hardship requiring me to sell the Property;

(ii) The term "Extended Illness" shall mean a serious accident or injury rendering me or my spouse, or an adult family member who is primarily dependent upon me for his or her support, unable to engage in meaningful employment for a period in excess of ninety (90) days; and

(iii) The term "Combined Loan-to-Value Ratio" shall mean the sum of amounts owed to Senior Lien Holder(s) in accordance with the Senior Lien Security Instrument(s) on the Property combined with the amount owed pursuant to the Note and the Subordinate Security Instrument and total amounts owed under all subsequent Subordinate Security Instruments, if applicable, for the purchase of the Property executed at the time of this transaction. Such sum shall then be divided by the fair market value of the Property, as determined by a recent Residential Valuation Report completed by a duly licensed Colorado appraiser, to achieve a final Combined Loan-to-Value Ratio. Lender shall reserve the right to dispute the valuation determination contained within any such Report and may elect, at it's sole discretion and expense, to provide an alternative Residential Valuation Report from an accredited source in determining final disposition of this Subordinate Security Instrument.

4. **BORROWER'S RIGHT TO PREPAY**

I have the right to make payment of all principal, accrued interest and other applicable fees or charges at any time before they are due without paying any prepayment charge.

5. **LOAN CHARGES**

If any law, which applies to this loan and which sets maximum loan charges, provides that the interest or other charges collected or to be collected in connection with this loan exceed the permitted limits, then: (i) any such interest or loan charge shall be reduced by the amount necessary to reduce the interest or rate charge to the permitted limit; and (ii) any sums already collected from me which exceeded permitted limits will be refunded to me. The Note Holder may choose to make this refund by reducing the principal I owe under this Note or by making a direct payment to me. If a refund reduces principal, the reduction will be treated as a reduction of the original principal due under this Note.

6. **GIVING OF NOTICES**

Unless applicable law requires a different method, any notice that must be given to me under this Note will be given by delivering it or by mailing it by first class mail to me at the Property Address above or 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 first class mail to the Note Holder at the address stated in Section 3(A) above or at a different address if I am given a notice of that different address.

7. **OBLIGATIONS OF PERSONS UNDER THIS NOTE**

If more than one person signs this Note, each person is fully and personally obligated to keep all of the promises made in this Note, including the promise to pay the full amount owed. Any person who is a guarantor, surety or endorser of this Note is also obligated to do these things. Any person who takes over these obligations, including the obligations of a guarantor, surety or endorser of this Note, is also obligated to keep all of the promises made in this Note. The Note Holder may enforce its rights under this Note against each person 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.

8. **SUBORDINATION**

I acknowledge that the indebtedness evidenced by this Note, and any other financial obligation which may hereafter be imposed on me by the Lender, is subordinate to the indebtedness evidenced by a note payable to a senior lender, which note is secured by a first mortgage of deed of trust on the Property (the "First Lien Security Instrument"). The holder of such First Lien Security Instrument shall be hereafter referred to as the Senior Lien Holder.

Subsequent obligations that I enter into, which require a lien position that is senior to the deed of trust securing this Note, shall be at the sole discretion of the Note Holder.

9. **WAIVERS**

I and any other person who have obligations under this Note waive the rights of presentment and notice of dishonor. "Presentment" means the right to require the Note Holder to demand payment of amounts due. "Notice of dishonor" means the right to require the Note Holder to give notice to other persons that amounts due have not been paid.

The modification or waiver of any of my obligations or Lender's rights under this Note must be contained in a writing signed by Lender. Lender may perform any of my obligations or delay or fail to exercise any of its rights without causing a waiver of those obligations or rights. A waiver on one occasion will not constitute a waiver on any other occasion. My obligations under this Note shall not be affected if Lender amends, compromises, exchanges, fails to exercise, impairs or releases any of the obligations belonging to any co-borrower or guarantor or any of its rights against any co-borrower, guarantor, the collateral or any other property securing this Note.

SAMPLE

10. **UNIFORM SECURED NOTE**

This Note is a uniform instrument with limited variations in some jurisdictions. In addition to the protections given to the Lender under this Note, I am granting the Lender a security interest in the Property under a Deed of Trust (the "Subordinate Security Instrument"), dated the same date as this Note, to protect the Lender from possible losses which might result if I do not keep the promises which I make in this Note. The Subordinate Security Instrument is and shall be subject and subordinate in all respects to the liens, terms, covenants and conditions of the First Lien Security Instrument. The Subordinate Security Instrument describes how and under what conditions I may be required to make immediate payment in full of all amounts I owe under this Note. Some of those conditions are described as follows:

(A) **Transfer of the Property or a Beneficial Interest in Borrower**

Except for a conveyance to the Senior Lien Holder or Trustee under the First Lien Security Instrument, 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) without Note Holder's prior written consent (including a transfer of all or any part of the Property to any person who, at initial occupancy of the Property does not use the Property as a primary residence); or

(B) **Failure to Occupy Property**

Except where prior written consent of the Note Holder has been provided, I fail to occupy the property as my primary residence while any portion of the principal and interest is due under this Note; or

(C) **Default or Non-Performance**

If I fail to comply with all terms of this Note and the Subordinate Security Instrument or cause non-compliance with terms and conditions defined within Senior Security Instrument(s) including, but not limited to, initiation of foreclosure proceedings by any lienholder, notice of voluntary or involuntary bankruptcy, insolvency or receivership, assignment of my assets to creditors, or upon my death.

(D) **Default Rate:** If there is an Event of Default under this Note, the Lender may, in its discretion, increase the interest rate on this Note to Twelve percent (12%) or the maximum interest rate Lender is permitted to charge by law, whichever is less.

11. **APPLICABLE LAW**

This Note and the Subordinate Security Instrument shall be governed by applicable Federal law and Colorado law.

12. **COLLECTION COSTS**

To the extent permitted by law, I agree to pay Lender's reasonable fees and costs, including, but not limited to, fees and costs of attorneys and other agents which are incurred by Lender in collecting any amount due or enforcing any right or remedy under this Note, whether or not suit is brought, including, but not limited to, all fees and costs incurred on appeal, in bankruptcy, and for post-judgment collection actions.

13. **AFFORDABILITY PERIOD**

To maintain the ongoing affordability of the property the borrower must maintain the property as their primary residence for a period of at least 5 years regardless of loan payoff. This requirement is waived if the payoff is from the sale of the home.

NOTICE TO BORROWER

Read this promissory note before you sign. Do not sign this promissory note if it contains blank spaces. This promissory note is secured by a subordinate lien on your real property.

_____

«bor_first_name» «borrower_initial» «bor_last_name»

_____

«cobor_first_name» «coborrower_initial» «cobor_last_name»

After Recordation, Please Return to:
FUNDING PARTNERS
214 S. College Avenue, 2nd Floor
Fort Collins, CO 80524

DEED OF TRUST
(Subordinate Lien)

Borrower (Grantor): «bor_first_name» «borrower_initial» «bor_last_name» «cobor_first_name» «coborrower_initial» «cobor_last_name» «subject_address» «subject_city», «subject_state» «subject_zip»	**Lender (Beneficiary):** **Mountain Regional Housing Corporation**, a Colorado nonprofit corporation Loan serviced by: Funding Partners (Loan Servicer) 214 S. College Avenue, 2nd Floor Fort Collins, CO 80524
Interest: «note_rate»%	**Monthly Payment: U.S. $«Monthly_Payment»**

Principal Amount of Promissory Note	**Date of Promissory Note**	**Maturity Date**	**Loan Number**
$ «loan_amount».00	**«est_closing_date»**	**«final_payment»**	**«filename»**

THIS DEED OF TRUST ("Security Instrument") is made on **«est_closing_date»**, among the grantor, ("Borrower"), the Public Trustee of **«subject_county»** County ("Trustee"), and the beneficiary, **Mountain Regional Housing Corporation**, a not-for-profit organization which is organized and existing under the laws of Colorado ("Lender"). Lender reserves the right to assign or designate a third party as "Note Holder" to whom all rights and responsibilities of Lender are hereby extended. Borrower owes Lender the principal sum of **00/100 Dollars (U.S. $ «loan_amount».00)** This debt is evidenced by Borrower's Note dated the same date as this Security Instrument ("Note").

The Note provides for payment of the principal amount of the Note, together with interest (as provided in the Note) in monthly installments due on the **5th** of each month beginning **«first_payment»**. The Note provides that the full debt, if not paid earlier, shall be due and payable on **«final_payment»**, the "Maturity Date" of the Note.

SAMPLE

The loan evidenced by the Note and secured by this Security Instrument (the "Loan") is being made pursuant to an appropriation of funds derived through the Colorado Division of Housing for the express purpose of assisting qualified residents within the Lender's service area to purchase their primary residence.

In addition to the Loan, Borrower obtained a deed of trust loan (the "First Deed of Trust Loan") from **«lender_name»** (the "senior Deed Holder"), which loan is secured by a first deed of trust lien on the Property (the "First Deed of Trust"). The documents evidencing or securing the First Deed of Trust Loan are collectively referred to herein as the First Deed of Trust Loan Documents.

This Security Instrument secures to Lender: (a) the repayment of the debt evidenced by the Note with interest as provided in the Note, and all renewals, extensions and modifications of the Note; (b) the payment of all sums, with interest as provided in the Note, advanced under paragraph 7 to protect the security of this Security Instrument; and (c) the performance of Borrower's covenants and agreements under this Security Instrument and Note. For this purpose, Borrower irrevocably grants and conveys to Trustee, in trust, with power of sale, subject to the rights of the Senior Lien Holder under the First Deed of Trust, the property located in **«subject_county», Colorado**, which has the address of **«subject_address», «subject_city», Colorado «subject_zip»** ("Property Address") and is further described as

«attachment»
County of «subject_county»,
State of Colorado.

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, appurtenances, and fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Security Instrument. All of the foregoing is referred to in this Security Instrument as the "Property".

BORROWER COVENANTS that Borrower is lawfully seised of the estate hereby conveyed and has the right to grant and convey the Property and, except for the First Deed of Trust and other encumbrances of record acceptable to the Senior Lien Holder, the Property is unencumbered. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to such encumbrances of record.

THIS SECURITY INSTRUMENT combines uniform covenants for national use and non-uniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property.

UNIFORM COVENANTS. Borrower and Lender covenant and agree as follows:

1. **Payment of Principal and Interest.** Borrower shall promptly pay when due the principal of and interest on the debt evidenced by the Note and any late charges due under the Note.

2. **Application of Payments.** Unless applicable law provides otherwise, all payments received by Lender under paragraph 1 shall be applied: first, to any prepayment charges due under the Note; second, to interest due; third, to principal due; and last, to any late charges and other sums due under the Note.

3. **Prior Deeds of Trust; Charges; Liens.** Borrower shall perform all of Borrower's obligations under the First Deed of Trust, including Borrower's covenants to make payments when due. Borrower shall pay all taxes, assessments, charges fines impositions attributable to the Property which may attain priority over this Security Instrument, and leasehold payments or ground rents, if any. Borrower shall pay them on time directly to the person or entity owed payment. Borrower shall promptly furnish to Lender all notices of amounts to be paid under this paragraph. If Borrower makes these payments directly, Borrower shall promptly furnish to Lender receipts evidencing the payments.

   Except for the lien of the First Deed of Trust, Borrower shall promptly discharge any other lien which shall have attained higher priority over this Security Instrument unless Borrower: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender; (b) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which in the Lender's opinion operate to prevent enforcement of the lien; or (c) secures from the holder of the lien agreement satisfactory to Lender subordinating the lien to this Security Instrument. Except for the lien of the First Deed of Trust, if Lender determines that any part of the Property is subject to a lien which may attain priority over this Security Instrument, Lender may give Borrower a notice identifying the lien. Borrower shall satisfy such lien or take one of more of the actions set forth above within 10 days of giving the notice.

4. **Subordination** Lender and Borrower acknowledge and agree that this Security Instrument is subject and subordinate in all respects to the liens, terms and conditions of the First Deed of Trust and to all advances heretofore made or which may hereafter be made pursuant to the First Deed of Trust including all sums advanced for the purpose of (a) protecting or further securing the lien of the First Deed of Trust, curing defaults by Borrower under the First Deed of Trust or for any other purpose expressly permitted by the first Deed of Trust or (b) constructing, renovating, repairing, furnishing, fixturing or equipping the Property. The terms and provisions of the First Deed of Trust are paramount and controlling, and they supersede any other terms and provisions hereof in conflict therewith.

   If the Senior Lien Holder acquires title to the Property pursuant to a deed in lieu of foreclosure, the lien of this Security Instrument shall automatically terminate upon the Senior Line Holder's acquisition of title, provided that (i) Lender has been given written notice of a default under the First Deed of Trust and (ii) Lender shall not have cured the default under the First Deed of Trust, or diligently pursued curing the default as determined by the Senior Lien Holder, within the 60-day period provided in such notice sent to Lender.

5. Hazard or Property Insurance. Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire, hazards included within the term "extended coverage" and any other hazards, including floods or flooding, for which Lender requires insurance. This insurance shall be maintained in the amounts and for the periods that Lender requires. The insurance carrier providing the insurance shall be chosen by Borrower subject to Lender's approval which shall not be unreasonably withheld. If Borrower fails to maintain coverage described above, Lender may, at Lender's option, obtain coverage to protect Lender's rights in the Property in accordance with paragraph 7.

All insurance policies and renewals shall be acceptable to Lender and shall include a standard mortgagee clause. All requirements hereof pertaining to insurance shall be deemed satisfied if Borrower complies with the insurance requirements under the First Deed of Trust. All original policies of insurance required pursuant to the First Deed of Trust shall be held by Senior Lien Holder; provided, however, Lender may be named as a loss payee as its interest may appear and may be named as an additional insured. If Lender requires, Borrower shall promptly give to Lender copies of all paid receipts of paid premiums and renewal notices. In the event of loss, Borrower shall give prompt notice to the insurance carrier, the Senior Lien Holder and Lender. Lender may make proof of loss if not made promptly by the Senior Lien Holder or Borrower.

Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, if the restoration or repair is economically feasible and Lender's security is not lessened. If the restoration or repair is not economically feasible or Lender's security would be lessened, the insurance proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with any excess paid to Borrower. If Borrower abandons the Property, or does not answer within 30 days a notice from Lender that the insurance carrier has offered to settle a claim, then Lender may collect the insurance proceeds. Lender may use the proceeds to repair or restore the Property or to pay sums secured by this Security Instrument, whether or not then due. The 30-day period will begin when notice is given.

Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the monthly payments referred to in paragraph 1 or change the amount of the payments. If under paragraph 21 the Property is acquired by Lender, Borrower's right to any insurance policies and proceeds resulting from damage to the Property prior to the acquisition shall pass to Lender to the extent of the sums secured by this Security Instrument immediately prior to the acquisition.

Notwithstanding the above, Lender's rights to collect and apply the insurance proceeds hereunder shall be subject and subordinate to the rights of the Senior Lien Holder to collect and apply such proceeds in accordance with the First Deed of Trust.

6. Occupancy, Preservation, Maintenance and Protection of the Property; Borrower's Loan Application; Leaseholds. Borrower shall occupy, establish, and use the Property as Borrower's principal residence within sixty days after the execution of this Security Instrument. Borrower shall not destroy, damage or impair the Property, allow the Property to deteriorate, or commit waste on the Property. Borrower shall be in default if any forfeiture action or proceeding, whether civil or criminal, is begun that in Lender's good faith judgment could result in forfeiture of the Property or otherwise materially impair the lien created by this Security Instrument or Lender's security interest. Borrower may cure such default and reinstate, as provided in paragraph 17, by causing the action or proceeding to be dismissed with a ruling that, in Lender's good faith determination, precludes forfeiture of the Borrower's interest in the Property or other material impairment of the line created by the Security Instrument or Lender's security interest. Borrower shall also be in default if Borrower, during the loan application process, gave materially false or inaccurate information or statements to Lender (or failed to provide Lender with any material information) in connection with the loan evidenced by the Note, including, but not limited to, representations concerning (i) Borrower's occupancy of the Property as a principal residence and (ii) Borrower's income. If this Security Instrument is on a leasehold, Borrower shall comply with all provisions of the lease. If Borrower acquires fee title to the Property, the leasehold and the fee title shall not merge unless Lender agrees to the merger in writing.

SAMPLE

Borrower acknowledges that this Property may be subject to certain use and occupancy restrictions (which may be further evidenced by a separate agreement recorded in the land records where the Property is located), limiting the Property's use to certain covenants and restrictions regarding occupancy and future transfer of title from Borrower to subsequent title holders that are qualified according to pre-established income thresholds or other definitions that preserve the Property as "affordable". Unless Lender provides prior written consent, if at any time sums are due under this Security Instrument, Borrower fails to maintain the Property as his or her primary residence (or at least one of the individuals executing this Security Instrument, if more than one Borrower), entitle Lender to the remedies provided in Section 21 hereof.

7. Protection of Lender's Rights in the Property. If Borrower fails to perform the covenants and agreements contained in this Security Instrument, or there is a legal proceeding that may significantly affect Lender's rights in the Property (such as a proceeding in bankruptcy, probate, for condemnation or forfeiture or to enforce laws or regulations), then Lender may do and pay for whatever is necessary to protect the value of the Property and Lender's rights in the Property. Lender's actions may include paying any sums secured by a lien which has priority over this Security Instrument (including sums secured by the First Deed of Trust), appearing in court, paying reasonable attorneys' fees and entering on the Property to make repairs. Although Lender may take action under this paragraph 7, Lender does not have to do so.

Any amounts disbursed by Lender under this paragraph 7 shall become additional debt of Borrower secured by this Security Instrument. Unless Borrower and Lender agree to other terms of payment, these amounts shall bear interest from the date of disbursement at the Note rate and shall be payable, with interest, upon notice from Lender to Borrower requesting payment.

Prior to taking any actions under this Section 7, however, Lender shall notify the Senior Lien Holder of such default in the manner provided in Section 21 of this Security Instrument, and shall provide the Senior Lien Holder with the opportunity to cure any such default under this Security Instrument. All amounts advanced by the Senior Lien Holder to cure a default hereunder shall be deemed advanced by the Senior Lien Holder and shall be secured by the First Deed of Trust. In addition, Lender agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the Senior Lien Holder at least 60 days' prior written notice. Any action by Lender hereunder to foreclose or accept a deed in lieu of foreclosure shall be subject to the "due on sale" provisions of the First Deed of Trust.

Lender and Borrower further agree that a default hereunder shall constitute a default under the First Deed of Trust. In the event of a default hereunder, the Senior Lien Holder shall have the right to exercise all rights and remedies under the First Deed of Trust.

8. Inspection. Lender or its agent may make reasonable entries upon and inspections of the Property. Lender shall give Borrower notice at the time of or prior to an inspection specifying reasonable cause for the inspection.

9. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of any part of the Property, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender, subject to the terms of the First Deed of Trust.

In the event of a total taking of the Property, the proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with any excess paid to Borrower. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is equal to or greater than the amount of the sums secured by this Security Instrument immediately before the taking, unless Borrower and Lender otherwise agree in writing, the sums secured by this Security Instrument shall be reduced by the amount of the proceeds multiplied by the following fraction: (a) the total amount of the sums secured immediately before the taking, divided by (b) the fair market value of the Property immediately before the taking. Any balance shall be paid to Borrower. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is less than the amount of the sums secured immediately before the taking, unless Borrower and Lender otherwise agree in writing or unless applicable law otherwise provides, the proceeds shall be applied to the sums secured by this Security Instrument whether or not the sums are then due.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date the notice is given, Lender is authorized to collect and apply the proceeds, at its option, either to restoration or repair of the Property or to the sums secured by this Security Instrument, whether or not then due.

Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the monthly payments referred to in paragraphs 1 and 2 or change the amount of such payments.

9. Borrower Not Released; Forbearance By Lender Not a Waiver. Extension of the time for payment or modification of amortization of the sums secured by this Security Instrument granted by Lender to any successor in interest of Borrower shall not operate to release the liability of the original Borrower or Borrower's successors in interest. Lender shall not be required to commence proceedings against any successor in interest or refuse to extend time for payment or otherwise modify amortization of the sums secured by this Security Instrument by reason of any demand made by the original

Borrower or Borrower's successors in interest. Any forbearance by Lender in exercising any right or remedy shall not be a waiver of or preclude the exercise of any right or remedy.

11. Successors and Assigns Bound; Joint and Several Liability; Co-signers. The covenants and agreements of this Security Instrument shall bind and benefit the successors and assigns of Lender and Borrower, subject to the provisions of paragraph 16. Borrower's covenants and agreements shall be joint and several. Any Borrower who co-signs this Security Instrument but does not execute the Note: (a) is co-signing this Security Instrument only to mortgage, grant and convey Borrower's interest in the Property under the terms of this Security Instrument; (b) is not personally obligated to pay the sums secured by this Security Instrument; and (c) agrees that Lender and any other Borrower may agree to extend, modify, forbear or make any accommodations with regard to the terms of this Security Instrument or the Note without that Borrower's consent; provided, however, that such modification or accommodation shall not be made without the prior written consent of the Senior Lien Holder.

12. Loan Charges. If the loan secured by this Security Instrument is subject to a law which sets maximum loan charges, and that law is finally interpreted so that the interest or other loan charges collected or to be collected in connection with the loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected from Borrower which exceeded permitted limits will be refunded to Borrower. Lender may choose to make this refund by reducing the principal owed under the Note or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment without any prepayment charge under the Note.

13. Notices. Any notice to Borrower provided for in this Security Instrument shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the Property Address or any other address Borrower designates by notice to Lender. Any notice to Lender shall be given by first class mail to Lender's address stated herein or any other address Lender designates by notice to Borrower. Any notice required to be given to the Senior Lien Holder shall be given to the Note Holder by first class mail to the following address:

Funding Partners for Housing Solutions, Inc.
214 S. College Avenue, 2nd Floor
Fort Collins, CO 80524

or such other address the Senior Lien Holder designates by notice to Borrower. Any notice provided for in this Security Instrument shall be deemed to have been given to Borrower or Lender when given as provided in this paragraph.

14. Governing Law; Severability. This Security Instrument shall be governed by federal law and the law of the jurisdiction in which the Property is located. In the event that any provision or clause of this Security Instrument or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Security Instrument or the Note which can be given effect without the conflicting provision. To this end the provisions of this Security Instrument and the Note are declared to be severable.

SAMPLE

15. Borrower's Copy. Borrower shall be given one conformed copy of the Note and of this Security Instrument.

16. Transfer of the Property or a Beneficial Interest in Borrower. Except for a conveyance to the trustee under the First Deed of Trust, 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) without Lender's prior written consent (including a transfer of all or any part of the Property to any person who, at initial occupancy of the Property does not use the Property as a primary residence) Lender may, at its option, require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if exercise is prohibited by federal law as of the date of this Security Instrument.

If Lender exercises this option, Lender shall give Borrower and the Senior Lien Holder prior written notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is delivered or mailed within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

Notwithstanding Lender's right to invoke any remedies hereunder, as provided in Section 7 above, Lender agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the Senior Lien Holder at least 60 days' prior written notice.

Borrower and Lender agree that whenever the Note or this Security Instrument gives Lender the right to approve or consent with respect to any matter affecting the Property (or the construction of any improvements thereon) or otherwise (including the exercise of any "due on sale" clause), and a right of approval or consent with regard to the same matter is also granted to the Senior Lien Holder pursuant to the First Deed of Trust, the Senior Lien Holder's approval or consent or failure to approve or consent, as the case may be, shall be binding on Borrower and Lender.

17. Borrower's Right to Reinstate. If Borrower meets certain conditions, Borrower shall have the right to have enforcement of this Security Instrument discontinued at any time prior to the earlier of: (a) 5 days (or such other period as applicable law may specify for reinstatement) before sale of the Property pursuant to any power of sale contained in this Security Instrument; or (b) entry of a judgment enforcing this Security Instrument. Those conditions are that Borrower: (a) pays Lender all sums which then would be due under this Security Instrument and the Note as if no acceleration had occurred; (b) cures any default of any other covenants or agreements; (c) pays all expenses incurred in enforcing this Security Instrument, including, but not limited to, reasonable attorneys' fees; and (d) takes such action as Lender may reasonably require to assure that the lien of this Security Instrument, Lender's rights in the Property and Borrower's obligation to pay the sums secured by this Security Instrument shall continue unchanged. Upon reinstatement by Borrower, this Security Instrument and the obligations secured hereby shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under paragraph 16.

18. Sale of Note; Change of Loan Servicer. Subject to Section 19 below, the Note or a partial interest in the Note (together with this Security Instrument) may be sold one or more times without prior notice to Borrower. A sale may result in a change in the entity (known as the "Loan Servicer") that collects payments due under the Note and this Security Instrument. There also may be one or more changes of the Loan Servicer unrelated to a sale of the Note. If there is a change of the Loan Servicer, Borrower will be given written notice of the change in accordance with paragraph 13 above and applicable law. The notice will state the name and address of the new Loan Servicer and the address to which payments should be made. The notice will also contain any other information required by applicable law.

19. No Assignment. Until the loan secured by the First Deed of Trust has been satisfied in full, Lender and Borrower agree that the Note and the Security Instrument will not be assigned without the Senior Lien Holder's prior written consent.

20. Hazardous Substances. Borrower shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances on or in the Property. Borrower shall not do, nor allow anyone else to do, anything affecting the Property that is in violation of any Environmental Law. The preceding two sentences shall not apply to the presence, use, or storage on the Property of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses and to maintenance of the Property.

Borrower shall promptly give Lender written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which Borrower has actual knowledge. If Borrower learns, or is notified by any governmental or regulatory authority, that any removal or other remediation of any Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law. Prior to taking any such remedial action, however, Borrower shall notify the Senior Lien Holder that such remedial action is necessary and shall obtain the Senior Lien Holder's prior written consent for such remedial action.

As used in this paragraph 20, "Hazardous Substances" are those substances defined as toxic or hazardous substances by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials. As used in this paragraph 20, "Environmental Law" means federal laws and laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection.

NON-UNIFORM COVENANTS. Borrower and Lender further covenant and agree as follows:

21. Acceleration; Remedies. Lender shall give notice to Borrower and the Senior Lien Holder prior to acceleration following Borrower's breach of any covenant or agreement in this Security Instrument. The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than 30 days from the date the notice is given to Borrower (and with respect to the Senior Lien Holder, 60 days from the date the notice is given to the Senior Lien Holder), by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Security Instrument and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to bring a court action to assert the non-existence of a default or any other defense of Borrower to acceleration and sale. If the default is not cured by Borrower on or before the date specified in the notice, and the Senior Lien Holder has not exercised its right to cure the default, then Lender at its option may require immediate payment in full of all sums secured by this Security Instrument without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Notwithstanding Lender's right to invoke any remedies hereunder, as provided in Section 7 above, Lender agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the Senior Lien Holder at least 60 days' prior written notice. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this paragraph 21, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

If Lender invokes the power of sale, Lender or Trustee shall mail copies of a notice of sale in the manner prescribed by applicable law to Borrower, the Senior Lien Holder and to the other persons prescribed by applicable law. Trustee shall give notice of sale by public advertisement for the time and in the manner prescribed by applicable law. Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder for cash at the time and place and under the terms designated in the notice of sale in one or more parcels and in any order Trustee determines. Trustee may postpone sale of all or any parcel of the Property to any later time on the same date by public announcement at the time and place of any previously scheduled sale. Lender or its designee may purchase the Property at any sale.

Trustee shall deliver to the purchaser Trustee's deed conveying the Property without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to all expenses of the sale, including, but not limited to, reasonable Trustee's and attorneys' fees; (b) to all sums secured by this Security Instrument; and (c) any excess to the person or persons legally entitled to it.

SAMPLE

22. Release. Upon payment of all sums secured by this Security Instrument, Lender shall release this Security Instrument without charge to Borrower. Borrower shall pay any recordation costs.

23. Substitute Trustee. Lender, at its option, may from time to time remove Trustee and appoint a successor trustee to any Trustee appointed hereunder by an instrument recorded in the county in which this Security Instrument is recorded. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon Trustee herein and by applicable law.

24. Modification of First Deed of Trust Loan Documents. Lender consents to any agreement or arrangement in which the Senior Lien Holder waives, postpones, extends, reduces or modifies any provisions of the First Deed of Trust Loan Documents, including any provisions requiring the payment of money.

25. Homestead Interest Waiver. Borrower hereby relinquishes and forever releases any homestead exemptions in the Property.

26. Affordability Period. To maintain the ongoing affordability of the property the borrower must maintain the property as their primary residence for a period of at least 5 years regardless of loan payoff. This requirement is waived if the payoff is from the sale of the home.

By signing below, each person acknowledges that he or she has read, understands, and agrees to the terms and conditions of this deed of trust, and each person acknowledges receipt of an exact copy.

_____ «est_closing_date»
«bor_first_name» «borrower_initial» «bor_last_name»

_____ «est_closing_date»
«cobor_first_name» «coborrower_initial» «cobor_last_name»

STATE OF COLORADO)
) ss.
COUNTY OF _____)

Acknowledged, subscribed and sworn to before me on this ___ day of _____, 20___,

by _____.

WITNESS MY HAND AND OFFICIAL SEAL.

My commission expires:_____.

_____
Notary Public

FEDERAL TRUTH-IN-LENDING DISCLOSURE STATEMENT

(THIS IS NEITHER A CONTRACT NOR A COMMITMENT TO LEND)

Mountain Regional Housing Corporation Down Payment Assistance

Subordination Mortgage Loan

Borrower(s): «bor_first_name» «borrower_initial» «bor_last_name»
«cobor_first_name» «coborrower_initial» «cobor_last_name»
Property Address: «subject_address»,
«subject_city», «subject_state» «subject_zip»
Loan Number: «filename»

Lender: Mountain Regional Housing Corporation
Serviced by: Funding Partners
214 S. College Ave., 2nd Floor
Fort Collins, CO 80524
Date: «est_closing_date»

☐ Initial Disclosure

☑ Final Disclosure

Annual Percentage Rate The cost of your credit as a yearly rate **«apr»%**	**Finance Charge** The maximum dollar amount the credit will cost you. **$«Finance_Charge»**	**Amount Financed** The amount of credit provided to you or on your behalf. **$«Amount_Financed»**	**Total of Payments** The amount you will have paid after making all your payments as scheduled. **$«Total_of_Payments»**

INTEREST RATE AND PAYMENT SUMMARY

	Rate & Payment
Interest Rate	**«note_rate»%**
Principal + Interest Payment	**$«first_payment»**
Estimated Taxes + Insurance (Escrow) ☐ Includes Private Mortgage Insurance ☐ Includes Mortgage Insurance	**$0.00**
Total Estimated Monthly Payment	**$«first_payment»**

☐ FINAL BALLOON PAYMENT DUE: This loan transaction has a balloon payment.

☐ DEMAND FEATURE: This loan transaction has a demand feature.

☐ REQUIRED DEPOSIT: The annual percentage rate does not take into account your required deposit.

☐ VARIABLE RATE FEATURE: Your loan contains a Variable Rate feature. Disclosures about the Variable Rate feature have been provided to you separately.

SECURITY: You are giving a security interest in:

☑ The goods or property being purchased ☐ Real property you already own.

THERE IS NO GUARANTEE THAT YOU WILL BE ABLE TO REFINANCE TO LOWER YOUR RATE AND PAYMENTS

FILING FEES: $31.00

LATE CHARGE: If a payment is more than 15 days late, you will be charged 5%.

PREPAYMENT: If you pay off early, you

☐ may ☑ will not have to pay a penalty.

☐ may ☑ will not be entitled to a refund of part of the finance charge.

Itemization of Loan Fees: Funding Partners loan application fee of $350 is paid outside of closing by MRHC. Filing/Recording fees payable to the County are $31. Title insurance and title closing fees are determined by the title company range between $0 and $200.

Credit Life		I want credit life insurance.	Signature:
Credit Disability		I want credit disability insurance.	Signature:
Credit Life and Disability		I want credit life and disability insurance.	Signature:

INSURANCE: The following insurance is required to obtain credit:

☐ Credit life insurance ☐ Credit disability ☑ Property insurance ☐ Flood insurance

You may obtain the insurance from anyone you want that is acceptable to the creditor.

☐ If you purchase ☐ property ☐ flood insurance you will pay $ for a one year term.

ASSUMPTION: Someone buying your property

☐ may ☐ may, subject to conditions ☑ may not assume the remainder of your loan on the original terms.

See your loan documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date and prepayment refunds and penalties. ☑ * means an estimate ☑ all date and numerical disclosures except the late payment disclosures are estimates.

You are not required to complete this agreement merely because you have received these disclosures or signed a loan application.

The undersigned hereby acknowledge(s) reading and understanding all of the information disclosed above, and receiving a completed copy of this disclosure on the date indicated below.

Read, acknowledged and accepted this day of . Prepared By: Funding Partners

_____ _____
«bor_first_name» «borrower_initial» «bor_last_name» Date

_____ _____
«cobor_first_name» «coborrower_initial» «cobor_last_name» Date

LENDER CERTIFICATION

Mountain Regional Housing Corporation is pleased provide this assistance loan to obtain the dream of home ownership! As a first-time homeowner, you are aware that there are numerous rights and responsibilities associated with this important investment, though the reward of housing stability and long-term equity accumulation will prove to be immeasurable in your financial success.

Mountain Regional Housing Corporation believes the success of this program is wholly dependent upon the process of providing you detailed and accurate information regarding all aspects of the purchase transaction and financing mechanisms used to achieve your goal. Therefore, we require your primary mortgage loan originator to review all documents used to execute this loan agreement, answer any questions you may have, and provide you with those resources you may require to fully understand the obligation you will commit to upon closing of this transaction. We invite you to contact our Loan Servicer directly if you feel any aspect of this agreement has not been explained to your satisfaction. Please contact:

Funding Partners
214 S. College Avenue, 2nd Floor
Fort Collins, CO 80524
(970) 494-2021 Phone
(970) 494-2022 Fax
info@fundingpartners.org

By signing below, you and your loan officer are acknowledging that the Promissory Note, Deed of Trust and Federal Truth-in-Lending Disclosure documents have been fully explained to you and that you understand the amount you owe, how your interest rate will be calculated, under what circumstances your loan must be paid in full and how you can contact us for further information.

Dated: _____

SAMPLE

_____ _____

«bor_first_name» «borrower_initial» «bor_last_name» «cobor_first_name» «coborrower_initial» «cobor_last_name»

_____

Print Representative Name

_____

Signature
«lender_name»

Mountain Regional Housing Corporation
Down Payment Assistance Program

Disclosure of Information on Lead-Based Paint and/or Lead Based Paint Hazards

Lead Warning Statement
Every purchaser of any interest in residential real property on which a residential dwelling was built prior to 1978 is notified that such property may present exposure to lead from lead-based paint that may place young children at risk of developing lead poisoning. Lead poisoning in young children may produce permanent neurological damage, including learning disabilities, reduced intelligence quotient, behavioral problems and impaired memory. Lead poisoning also poses a particular risk to pregnant women. The seller of any interest I in residential real property us required to provide the buyer any information on lead-based paint hazards from risk assessments or inspections in the seller's possession and notify the buyer of any known lead-based paint hazards. A risk assessment or inspection for possible lead-based paint hazards is recommended prior to purchase.

Seller's Disclosure
(a) Presence of lead-based paints and/or lead based paint hazards (check (i) or (ii) below):
(i)_____ Known lead-based paint and/or lead based paint hazards are present in the housing (explain).
_____
(ii)____ Seller has no knowledge of lead-based paint and/or lead-based paint hazards in the housing.

(b) Records and reports available to the seller (check (i) or (ii) below):
(i)_____ Seller has provided the purchaser with all available records and reports pertaining to lead-based paint and/or lead-based paint hazards in the housing (list documents below).
_____

(ii) ____ Seller has no reports or records pertaining to lead-based paint and/or lead based paint hazards in the housing.

Purchaser's Acknowledgement (initial)
(c) _____ Purchaser has received copies of all information listed above.
(d) _____ Purchaser has received the pamphlet *Protect Your Family from Lead in Your Home*
(e) Purchaser has (check (i) or (ii) below):
(i) ____ received a 10-day opportunity (or mutually agreed upon period) to conduct a risk assessment or inspection for the presence of lead-based paint and/or lead-based paint hazards; or
(ii) ___ waived the opportunity to conduct a risk assessment or inspection for the presence of lead-based paint and/or lead based paint hazards.

Agent's acknowledgement (initial)
(f) _____ Agent has informed the seller of the seller's obligations under 42 U.S.C. 4852(d) and is aware of his/or her responsibility to ensure compliance

Certification of Accuracy
The following parties have reviewed the information above and certify, to the best of their knowledge, that the information they have provided is true and accurate.

Seller	Date	Seller	Date
Purchaser	Date	Purchaser	Date
Agent	Date	Agent	Date

SAMPLE

FIRST PAYMENT LETTER

Mountain Regional Housing Corporation
Down Payment Assistance Program

Funding Partners for Housing Solutions, Inc. is pleased to provide loan servicing for the Mountain Regional Housing Corporation down payment assistance program, which allows qualified households the opportunity to purchase their first home! Under the terms of this loan, you are required to make regular monthly payments of principal and interest in the amount of **$«Monthly_Payment»** which are due no later than the **5th** day of every month. Funding Partners will mail an invoice to you in advance of your due date, though we have provided this letter for your convenience should there be any delay setting up your account prior to the first payment date of **«first_payment»**.

At your request, you may be provided an amortization schedule of payments to reflect the application of principal and interest for each payment required to satisfy your loan obligation by the maturity date of your Note.

SAMPLE

Please make your check or money order payable to Funding Partners and mail your payments to:

Funding Partners
214 S. College Avenue, 2nd Floor
Fort Collins, CO 80524
Ref: Loan Number **«filename»**

DO NOT MAIL CASH

Thank you for your cooperation!

Sincerely,

Connie Ealey
Residential Assistance Coordinator
970.494.2021
connie@fundingpartners.org

Funding Partners
214 S. College Avenue, 2nd Floor
Fort Collins, CO 80524
970.494.2021 970.494.2022 Fax
www.fundingpartners.org

AUTHORIZATION AGREEMENT FOR DIRECT PAYMENTS (ACH DEBIT)

Company Name: Funding Partners

I (we) hereby authorize Funding Partners, hereinafter called COMPANY, to initiate debit entries to my (our) [ ] Checking [ ] Savings account (select one) indicated below at the depository institution named below, hereinafter called DEPOSITORY, and to debit the same to such account in the amount of $«filename»

Depository Name: _____ **Branch:** _____

City: _____ **State:** _____ **Zip:** _____

Routing Number: _____ **Account Number:** _____

This authorization is to remain in full force and effect until COMPANY has received written notification from me (or either of us) of its termination in such time and manner as to afford COMPANY and DEPOSITORY a reasonable opportunity to act on it. Please include all names as they appear on the account to be drafted.

Name: _____ **Name:** _____
PLEASE PRINT PLEASE PRINT

Signature: _____ **Signature:** _____

FP Loan Number: «filename» **Date:** _____

PLEASE NOTE: YOU MUST ATTACH A CANCELLED CHECK (UNSIGNED) FROM THE ACCOUNT YOU WISH TO HAVE DRAFTED IN ORDER TO PROCESS THIS REQUEST.

SAMPLE CHECK