HOME PROGRAM

HOMEOWNER RECONSTRUCTION NOTE

$_____ _____, Tennessee

_____, 20__

For value received and hereby acknowledged, _____ ("Maker"), promises to pay to the order of _____ ("Holder") the principal sum of _____ and 00/100 Dollars ($_____), in legal tender, with interest thereon from date at zero percent (0%) per annum, without demand or notice. Payment, if and when due, shall be made at the offices of Holder or such other place as Holder may designate.

A. So long as there is no default with respect to the conditions set forth herein or as set forth in that certain Deed of Trust of even date herewith (the "Deed of Trust") encumbering the property located at _____, Tennessee (the "Property"), the principal sum due and payable under this Note shall be reduced annually as follows:

1. The first reduction of six and sixty-seven hundredths percent (6.67%) of the original principal amount due under this Note shall occur on the date that is one (1) year from the date hereof, so long as the conditions set forth herein are met.

2. Subsequent annual reductions, each in the amount of six and sixty-seven hundredths percent (6.67%) of the original principal amount due under this Note, shall occur in each subsequent year in the same month and on the same day as the first reduction, so long as the conditions set forth herein are met.

B. Failure to meet the following conditions shall constitute a default hereunder:

1. The funds advanced hereunder are used in accordance with the rules and regulations of the HOME Investment Partnership Program set forth in 24 CFR Part 92, as subsequently amended, the THDA HOME Program Description and Program Manual, and that certain agreement between Holder and the Tennessee Housing Development Agency dated _____, as amended.

2. The Property is occupied by Maker as Maker's principal residence for fifteen (15) years from the date the Property is first available for occupancy, as further defined in the Deed of Trust (the "Affordability Period").

3. No lien encumbers the Property without the express written consent of Holder, except for the Deed of Trust.

4. Neither the Property nor any interest therein may be leased, sold, transferred, or otherwise conveyed. Notwithstanding the foregoing, inheritance of the Property by legal heirs of the Maker (the "Heirs") in the event of Maker's death will not be a default hereunder. The Heirs (or any one of them) may occupy the Property as their principal residence or lease the Property during the remainder of the Affordability Period.

5. Maker complies, in all respects, with all terms, provisions or conditions of this Note and the Deed of Trust.

6. This Note shall not be assigned or assumed.

C. In the event of a default under this Note or under the Deed of Trust, the outstanding principal balance of the Note, taking into account the reductions specified in Section A above, together with any amounts due under the Deed of Trust shall be immediately due and payable without demand or notice.

D. In the event of a default under this Note or under the Deed of Trust, Holder shall, at any time thereafter, be entitled, but not required, to demand payment of all amounts due under this Note as of the date of default. Amounts not paid upon demand shall bear interest at the maximum lawful rate. Should efforts be made to collect this Note, or any part of the indebtedness evidenced hereby, by law or through an attorney, Maker shall pay all reasonable attorneys' fees, all court costs and all costs of collection upon demand. Any failure on the part of Holder to exercise its rights hereunder shall not, in any event, be considered a waiver of any such rights nor shall such failure preclude Holder from exercising such rights at any time. Maker hereby waives all rights of protest, notice of demand, protest and demand, notice of protest, presentment, demand, dishonor and non-payment.

MAKER:

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