APPENDIX III

MODEL SUBORDINATE MORTGAGE FORM
[See Instructions Attached]

FHA Case No.

_____ [Space Above This Line for Recording Data] _____

SUBORDINATE MORTGAGE

THIS SUBORDINATE MORTGAGE ("Security Instrument") is given on , 19 . The Mortgagor is whose address is ("Borrower"). This Security Instrument is given to the Secretary of Housing and Urban Development, and whose address is ("Lender"). Borrower owes Lender the principal sum of Dollars (U.S. $). This debt is evidenced by Borrower's note dated the same date as this Security Instrument ("Note"), which provides for the full debt, if not paid earlier, due and payable on This Security Instrument secures to Lender: (a) the repayment of the debt evidenced by the Note, and all renewals, extensions and modifications of the Note; (b) the payment of all other sums, with interest, 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 the Note. For this purpose, Borrower does hereby mortgage, warrant, grant and convey to the Lender, with power of sale the following described property located in County, Michigan:

which has the address of [Street]
[City],
[State] [Zip Code], ("Property Address");

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 seized of the estate hereby conveyed and has the right to mortgage, grant and convey the Property and that the Property is unencumbered, except for encumbrances of record. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to any encumbrances or 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.

Borrower and Lender covenant agree as follows:

UNIFORM COVENANTS.

1. **Payment of Principal.** Borrower shall pay when due the principal of the debt evidenced by the Note.

2. **Borrower Not Released; Forbearance By Lender Not a Waiver.** Extension of the time of payment 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 successor 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.

3. **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. 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 that 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 term of this Security Instrument or the Note without that Borrower's consent.

4. **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: **Department of Housing and Urban Development, Attention: Single Family Notes Branch, 451 Seventh Street, SW, Washington, DC 10410 or any address Lender 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.

5. **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.

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

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

7. Acceleration; Remedies. [See instructions for state specific language]

[The following language is mandatory in all cases.] If the Lender's interest in this Security Instrument is held by the Secretary and the Secretary requires immediate payment in full under the Paragraph 7 of the Subordinate Note, the Secretary may invoke the nonjudicial power of sale provided in the Single Family Mortgage Foreclosure Act of 1994 ("Act") (12 U.S.C. 3751 et seq.) by requesting a foreclosure commissioner designated under the Act to commence foreclosure and to sell the Property as provided in the Act. Nothing in the preceding sentence shall deprive the Secretary of any rights otherwise available to a Lender under this paragraph or applicable law.

[Add any state-specific paragraphs in accordance with attached instructions and the current edition of HUD Handbook 4165.1, Chapter 4.]

BY SIGNING BELOW, Borrower accepts and agrees to the terms contained in this Security Instrument and in any rider(s) executed by Borrower and recorded with it.

Witnesses:

_____ _____ (SEAL)
Borrower

_____ _____ (SEAL)
Borrower

_____ [Space Below This Line for Acknowledgement] _____

Instructions for Subordinate Model Mortgage Form

Language Preceding Uniform Covenants

Use FNMA/FHLMC language but: (1) Add a box for the FHA Case No. as shown on the Model Mortgage Form. The Model Mortgage Form uses the FNMA/FHLMC language for Michigan as an example. The form may include variations to the standard language that have been approved by FNMA and/or FHLMC. For Maine and New York in which FNMA and FHLMC have approved "plain English" forms, the format and language should be based on FNMA/FHLMC forms for other states provided that the language is in conformity with applicable law. (2) Delete the language "which is organized and existing under the laws of . . ." (3) Delete the language "monthly payments with. . . " and (4) Delete the language "with interest."

Uniform Covenants

The form should designate the paragraphs preceding Paragraph 7 "Uniform Covenants". The text of these paragraphs must be used as presented in the Model Subordinate Mortgage Form without any change. FNMA/FHLMC language may not be substituted. If change is needed to meet requirements of state or local law or practice, written approval from HUD is needed before the change is made.

Non-Uniform Covenants

The form should designate the paragraphs beginning with Paragraph 7 "Non-Uniform Covenants".

a. The first paragraph under this heading should be the same as under the same heading in the FNMA/FHLMC Single Family Mortgage; with appropriate conforming changes to paragraph numbers. The following paragraphs should contain provisions required to adapt the mortgage to the laws and practices of the particular jurisdiction in which the Property is located. The text of these paragraphs should be the same as the FNMA/FHLMC non-uniform covenants for the jurisdiction in which the Property is located. Changes to the FNMA/FHLMC paragraphs and additional material may be included if needed to conform to requirements of state law or practice.

c. Any special language or notices required by applicable law should appear following the non-uniform covenants using the FNMA/FHLMC Single Family Mortgage Form for the jurisdiction as a guide.

Signatures, etc.

Use the FNMA/FHLMC format at the end of the mortgage except that:

a. Witness lines may be omitted if state and local law does not require witnesses for mortgages.

b. HUD does not require the Borrower's social security number to appear on the mortgage.

MODEL SUBORDINATE NOTE FORM

FHA Case No.

SUBORDINATE NOTE

[Date]

[Property Address]

1. PARTIES

"Borrower" means each person signing at the end of this Note, and the person's successors and assigns. "Secretary" or "Lender" means the Secretary of Housing and Urban Development and its successors and assigns.

2. BORROWER'S PROMISE TO PAY

In return for a loan received from Lender, Borrower promises to pay the principal sum of Dollars (U.S. $), to the order of Lender.

3. PROMISE TO PAY SECURED

Borrower's promise to pay is secured by a mortgage, deed of trust or similar security instrument that is dated the same date as this Note and called the "Security Instrument." The Security Instrument protects the Lender from losses which might result if Borrower defaults under this Note.

4. MANNER OF PAYMENT

(A) Time

On , [insert maturity date of insured mortgage] or, if earlier, when the first of the following events occurs:

(i) Borrower has paid in full all amounts due under the primary Note and related mortgage, deed of trust or similar Security Instruments insured by the Secretary, or

(ii) The maturity date of the primary Note has been accelerated, or

(iii) The Note and related mortgage, deed of trust or similar Security Instrument are no longer insured by the Secretary, or

(iv) The property is not occupied by the purchaser as his or her principal residence.

(B) Place

Payment shall be made at the Office of the Housing FHA-Comptroller, Director of Mortgage Insurance Accounting and Servicing, 451 Seventh Street, SW, Washington, DC 20410 or any such other place as Lender may designate in writing by notice to Borrower

4. BORROWER'S RIGHT TO PREPAY

Borrower has the right to pay the debt evidenced by this Note, in whole or in part, without charge or penalty. If Borrower makes a partial prepayment, there will be no changes in the due date or in the amount of the monthly payment unless Lender agrees in writing to those changes.

5. WAIVERS

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

6. 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. Lender may enforce its rights under this Note against each person individually or against all signatories together. Any one person signing this Note may be required to pay all of the amounts owed under this Note.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Note.[1,2]

_____ (SEAL)
Borrower

_____ (SEAL)
Borrower

Footnotes For Model Note Form

1. Include any required or customary form of authentication.

2. The model note is a multistate form, which requires adaption for some jurisdictions to reflect the laws and practices of the particular jurisdiction in which the Property is located. The form should not be adapted for jurisdictions in which the multistate version of the FNMA/FHLMC note is used. For other jurisdictions, adaptations should generally follow the corresponding provisions in the FNMA/FHLMC note form approved for use in the jurisdiction, with any additional adaptations that may be necessary to conform to requirements of law and practices of the jurisdiction.

MODEL PROMISSORY NOTE FORM

FHA Case No.

PARTIAL CLAIMS PROMISSORY NOTE

[Date]

[Property Address]

1. PARTIES

"Borrower" means each person signing at the end of this Note, and the person's successors and assigns. "Secretary" or "Lender" means the Secretary of Housing and Urban Development and its successors and assigns.

2. BORROWER'S PROMISE TO PAY

In return for a loan received from Lender, Borrower promises to pay the principal sum of Dollars (U.S. $), to the order of Lender.

3. MANNER OF PAYMENT

(A) Time

On , [insert maturity date of insured primary mortgage] or, if earlier, when the first of the following events occurs:

(i) Borrower has paid in full all amounts due under the primary Note and related mortgage, deed of trust or similar Security Instruments insured by the Secretary, or

(ii) The maturity date of the primary Note has been accelerated, or

(iii) The primary note and related mortgage, deed of trust or similar Security Instrument are no longer insured by the Secretary, or

(iv) The property is not occupied by the purchaser as his or her principal residence.

(B) Place

Payment shall be made at the Office of the Housing FHA-Comptroller, Director of Mortgage Insurance Accounting and Servicing, 451 Seventh Street, SW, Washington, DC 20410 or any such other place as Lender may designate in writing by notice to Borrower

4. BORROWER'S RIGHT TO PREPAY

Borrower has the right to pay the debt evidenced by this Note, in whole or in part, without charge or penalty. If Borrower makes a partial prepayment, there will be no changes in the due date or in the amount of the monthly payment unless Lender agrees in writing to those changes.

5. WAIVERS

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

6. 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. Lender may enforce its rights under this Note against each person individually or against all signatories together. Any one person signing this Note may be required to pay all of the amounts owed under this Note.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Note.[1,2]

_____ (SEAL)
Borrower

_____ (SEAL)
Borrower