

RETURN TO:

Community Development Director  
City of San Luis Obispo  
919 Palm Street  
San Luis Obispo, CA 93401-3249

City of San Luis Obispo  
**DOWN PAYMENT ASSISTANCE PROGRAM**

**PROMISSORY NOTE**

**NOTICE TO BORROWER**  
**THIS DOCUMENT CONTAINS PROVISIONS**  
**RESTRICTING ASSUMPTIONS AND IS SECURED BY**  
**A DEED OF TRUST ON RESIDENTIAL PROPERTY**

Loan No. \_\_\_\_\_

\$ \_\_\_\_\_, 20\_\_

FOR VALUE RECEIVED, the undersigned, \_\_\_\_\_ (the "Borrower") hereby promises to pay to the order of City of San Luis Obispo ("Lender") at the following address 919 Palm Street, San Luis Obispo, CA 93401 or at such other place as the holder may from time to time designate by written notice to Borrower, in lawful money of the United States, the sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) with simple interest at the rate of three percent (3.0%) per annum on the unpaid principal balance from the date of this Note, until paid. The obligation of the Borrower with respect to this Note is secured by that certain Down Payment Assistance Program Deed of Trust Loan No. \_\_\_\_\_ (the "Deed of Trust"), and executed by the Borrower concurrently herewith and encumbering the real property described in the Deed of Trust.

1. **Borrower's Obligation.** This Note evidences the obligation of the Borrower to the Lender for the repayment of funds loaned (the "DPA Loan") to finance the purchase of that certain real property (the "Property"), which has the address of \_\_\_\_\_, more fully described in Exhibit A of the Deed of Trust. The indebtedness evidenced by this Note may be subordinated in right of payment to the prior payment in full of all amounts then due and payable (including, but not limited to, all amounts due and payable by virtue of any default or acceleration or upon maturity) with respect to any loan made by a commercial lender to the extent and in the manner provided in any subordination agreements entered into in connection therewith.
2. **Repayment of Loan Principal and Interest.** No periodic payments are required hereunder. Borrower agrees to pay the unpaid principal balance, unpaid accrued interest, and any other amounts due under this Note upon the earlier of:
  - (a) 30 years from the date of this Note; or
  - (b) Upon sale, transfer, lease, or encumbrance of all or any interest in the Property without Lender's prior written consent, except for a transfer permitted in Paragraph 4; or
  - (c) Upon the maturity date, or full repayment, of any debt that is secured by a lien on the Property that is senior to the Deed of Trust; or
  - (d) Upon Borrower's failure to occupy the Property as Borrower's principal place of residence.
3. **Permitted Transfers.**

The DPA Loan is not assumable except under the following limited circumstances:

- (a) The transfer of the Property to the surviving joint tenant by devise, descent or operation of the law, on the death of a joint tenant.
  - (b) A transfer of the Property where the spouse or domestic partner becomes an owner of the Property;
  - (c) A transfer of the Property resulting from a decree of dissolution of marriage or domestic partnership, legal separation or from an incidental property settlement agreement by which the spouse or domestic partner becomes an owner of the Property.
  - (d) A transfer to an inter vivo trust in which the Borrower is and remains the beneficiary and occupant of the Property.
4. **Acceleration of Payment.** The principal amount of this loan, together with any then outstanding accrued interest thereon shall become immediately due and payable, at the option of Lender and without demand or notice, upon the occurrence of any of the following events:
- (a) In the event of a default under the terms of this Note or the Deed of Trust;
  - (b) In the event that the Borrower shall cease to occupy the Property as Borrower's principal place of residence; or
  - (c) In the event of any sale, transfer, lease, or encumbrance of the Property without Lender's prior written consent in violation of Paragraph 3 of this Note.
5. **Effect of Due-on Sale Clause.** Failure of the holder to exercise the option to accelerate payment as provided in Paragraph 4 of this Note will not constitute waiver of the right to exercise this option in the event of subsequent cause for acceleration. Failure by Borrower to occupy the Property as Borrower's principal place of residence shall be considered an on-going event of default under this Note.
6. **Place and Manner of Payment.** All amounts due and payable under this Note are payable at the address of the Lender set forth above, or at such other place or places as the Lender may designate to the Borrower in writing from time-to-time.
7. **Application of Payments.** All payments received on account of this Note shall be first applied to accrued interest, if any, and the remainder shall be applied to the reduction of principal.
8. **Costs of Collection/Attorney's Fees.** The Borrower hereby agrees to pay all costs and expenses, including reasonable attorney's fees, which may be incurred by the Lender in the collection and enforcement of this Note in any litigation or controversy connected with this Note, or security for it, including but not limited to actions for declaratory relief that any holder is required to prosecute or defend and actions for relief based on rescission, or actions to cancel this Note that any such holder is required to defend.
9. **Default and Acceleration.** All covenants, conditions and agreements contained in the Deed of Trust are hereby made a part of this Note. The Borrower agrees that the unpaid balance of the then principal amount of this Note, together with all accrued interest thereon and charges owing, shall, at the option of the Lender or, if so provided in this Note and Deed of Trust executed by the Borrower, shall automatically, become immediately due and payable, and thereafter until paid bear interest at the rate of 3 % per annum, upon the failure of the Borrower to make any payment hereunder as and when due, upon the failure of the Borrower to perform or observe any other term or provision of this Note, or upon the occurrence of any event (whether termed default, event of default or similar term) which under the terms of the Deed of Trust, shall entitle the Lender to exercise rights or remedies thereunder.
10. **Notices.** Except as may be otherwise specified herein, any approval, notice, direction, consent, request or other action by the Lender shall be in writing and must be communicated to the Borrower at the address of the Property, or at such other place or places as the Borrower shall designate to the Lender in writing, from time to time, for the receipt of communications from the Lender. Mailed notices shall be deemed delivered and received five (5) working days after deposit in the United States mail.

11. **Prepayment Policy:** Borrower may prepay this Note at any time without penalty.
12. **Governing Law.** This Note shall be construed in accordance with and be governed by the laws of the State of California.
13. **Severability.** If any provision of this Note shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.
14. **No Waiver by the Lender.** No waiver of any breach, default or failure of condition under the terms of the Note or Deed of Trust shall thereby be implied from any failure of the Lender to take, or any delay by the Lender in taking action with respect to such breach, default or failure or from any previous waiver of any similar or unrelated breach, default or failure; and a waiver of any term of the Note, Deed of Trust, or any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver.
15. **Waiver by Borrower.** Borrower and all others who may become liable for all or any part of this obligation, severally waive presentment for payment, demand and protest and notice of protest, and of dishonor and nonpayment of this Note, and expressly consent to any extension of the time of payment hereof or of any installment hereof, to the release of any party liable for this obligation, and any such extension or release may be made without notice to any of said parties and without any way affecting or discharging this liability.
16. **Successors and Assigns.** The promises and agreements herein contained shall bind and inure to the benefit of, as applicable, the respective heirs, executors, administrators, successors and assigns of the parties.
17. **Integration.** This Note, the Deed of Trust and the other loan documents relating to this Note, embody the agreement between Lender and Borrower for the DPA Loan and its terms and conditions. This Note may not be modified or amended except by an instrument in writing executed by the parties sought to be bound thereby.

Executed as of the date set forth above at San Luis Obispo, California

**MAKER:**

\_\_\_\_\_  
(Maker Name)

**ALL SIGNATURES MUST BE NOTARIZED**



**EXHIBIT A**

**Property Legal Description**