

MODEL FIXED RATE SECOND NOTE FORM
(HOME EQUITY CONVERSION)

FHA Case No.

SECOND NOTE

[Date]

[Property Address]

1. DEFINITIONS

"Borrower" means each person signing at the end of this Note.
"Secretary" or "Lender" means the Secretary of Housing and Urban
Development or his or her authorized representatives.

2. BORROWER'S PROMISE TO PAY; INTEREST

In return for amounts to be advanced by Lender to or for the benefit
of Borrower under the terms of a Home Equity Conversion Loan Agreement
dated _____, 19____ ("Loan Agreement"), Borrower promises to pay to the
order of Lender a principal amount equal to the sum of all Loan Advances
made under the Loan Agreement with interest. Interest will be charged on
unpaid principal at the rate of _____ percent (____ %) per year until
the full amount of principal has been paid. Accrued interest shall be
added to the principal balance as a Loan Advance at the end of each month.

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" or the "Second Security Instrument." The
Security Instrument protects the Lender from losses which might result if
Borrower defaults under this Second Note. Borrower also executed a First
Security Instrument and First Note when the Second Security Instrument and
Second Note were executed.

4. MANNER OF PAYMENT

(A) Time

Borrower shall pay all outstanding principal and accrued
interest to Lender upon receipt of a notice by Lender requiring immediate
payment in full, as provided in Paragraph 6 of this Note.

(B) Place

Payment shall be made at the Office of the Housing - FHA
Comptroller, Director of Mortgage Insurance Accounting and Servicing,
Department of Housing and Urban Development, 451 Seventh Street, S.W.,
Washington, DC 20410, or any other place designated by the Secretary
in writing by notice to the Borrower.

(C) Limitation of Liability

Borrower shall have no personal liability for payment of this
Note. Lender shall enforce the debt only through sale of the Property
covered by the Security Instrument ("Property").

5. BORROWER'S RIGHT TO PREPAY

A Borrower receiving monthly payments under the Loan Agreement

has the right to pay the debt evidenced by this Note, in whole or in part, without charge or penalty on the first day of any month. Otherwise, a Borrower has the right to pay the debt evidenced by this Note, in whole or in part, without charge or penalty after giving Lender two weeks notice. Any amount of debt prepaid first will be applied to reduce the principal balance of this Note and then to reduce the principal balance of the First Note.

All prepayments of the principal balance shall be applied by Lender as follows:

First, to that portion of the principal balance representing aggregate payments for mortgage insurance premiums;

Second, to that portion of the principal balance representing aggregate payments for servicing fees;

Third, to that portion of the principal balance representing accrued interest due under the Note; and

Fourth, to the remaining portion of the principal balance. A Borrower may specify whether a prepayment is to be credited to that portion of the principal balance representing monthly payments or the line of credit. If Borrower does not designate which portion of the principal balance is to be prepaid, Lender shall apply any partial prepayments to an existing line of credit or create a new line of credit.

6. IMMEDIATE PAYMENT IN FULL

(A) Death or Sale

Lender may require immediate payment in full of all outstanding principal and accrued interest if:

(i) A Borrower dies and the Property is not the principal residence of at least one surviving Borrower, or

(ii) A Borrower conveys all of his or her title to the Property and no other Borrower retains title to the Property in fee simple or on a leasehold interest as set forth in 24 CFR 206.45(a).

(B) Other Grounds

Lender may require immediate payment in full of all outstanding principal and accrued interest, if:

(i) The Property ceases to be the principal residence of a Borrower for reasons other than death and the Property is not the principal residence of at least one other Borrower;

(ii) For a period of longer than 12 consecutive months, a Borrower fails to physically occupy the Property because of physical or mental illness and the Property is not the principal residence of at least one other Borrower; or

(iii) An obligation of the Borrower under the Security Instrument is not performed.

(C) Payment of Costs and Expenses

If Lender has required immediate payment in full, as described

above, the debt enforced through sale of the Property may include costs and expenses including reasonable and customary attorney's fees for enforcing this Note to the extent not prohibited by applicable law. Such fees and costs shall bear interest from the date of disbursement at the same rate as the principal of this Note.

(D)Trusts

Conveyance of a Borrower's interest in the Property to a trust which meets the requirements of the Secretary, or conveyance of a trust's interests in the Property to a Borrower, shall not be considered a conveyance for purposes of this Paragraph. A trust shall not be considered an occupant or be considered as having a principal residence for purposes of this Paragraph.

7.WAIVERS

Borrower waives 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.

8.GIVING OF NOTICES

Unless applicable law requires a different method, any notice that must be given to Borrower under this Note will be given by delivering it or by mailing it by first class mail to Borrower at the property address above or at a different address if Borrower has given the Secretary a notice of Borrower's different address.

Any notice that must be given to the Secretary under this Note will be given by first class mail to the HUD Field Office with jurisdiction over the Property or any other address designated by the Secretary.

9.OBLIGATIONS OF PERSONS UNDER THIS NOTE

If more than one person signs this Note, each person is fully obligated to keep all of the promises made in this Note. Lender may enforce its rights under this Note only through sale of the Property.

10.RELATIONSHIP TO FIRST NOTE

(A)Second Note

Because Borrower will be required to repay amounts which the Secretary may make to or on behalf of Borrower pursuant to Section 255(i)(1)(A) of the National Housing Act and the Loan Agreement, the Secretary has required Borrower to grant this Second Note to the Secretary.

(B)Relationship of Secretary Payments to First Note

All payments made by the Secretary shall be included in the debt due under this Note unless:

(i) The First Note is assigned by its holder to the Secretary;
or

(ii) The Secretary accepts reimbursement by the holder of the First Note for all payments made by the Secretary.

If the circumstances described in (i) or (ii) occur, then all payments by the Secretary, including interest on the payments, but excluding

late charges paid by the Secretary, shall be included in the debt under the First Note.

11.SHARED APPRECIATION /1

If Borrower has executed a Shared Appreciation Allonge, the covenants of the Allonge shall be incorporated into and supplement the covenants of this Note as if the Allonge were a part of this Note.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Note. /2, /3

Borrower (SEAL)

Borrower (SEAL)

Footnotes for Model Fixed Rate Second Note Form (Home Equity Conversion)

1.The paragraph may be omitted if Lender does not offer a shared appreciation mortgage.

2.Include any required or customary form of authentication.

3.The model note is a multistate form which requires adaptation for the following jurisdictions:

a.Alaska. Add the Borrower's Post Office address, if different from the property address.

b.Kansas. Delete "including reasonable and customary attorney's fees" from Paragraph 6(C).

c.Kentucky. Paragraph 6(C) should be changed to read:

If Lender has required immediate payment in full, as described above, the debt enforced through sale of the property may include \$500.00 for costs and expenses for enforcing this Note. Such costs and expenses shall bear interest from the date of disbursement at the same rate as the principal of this Note.

d.Louisiana. Add the following text following the Borrower's signature lines:

"NE VARIETUR" for identification with a mortgage with a mortgage given before me on _____, 19____.

Notary qualified in _____
Parish, Louisiana

e.Puerto Rico. Mortgages and notes in Puerto Rico, together with any associated riders or allonges, shall have alternating English and Spanish lines so that the complete text of each document appears in both languages. Mortgagees should contact the HUD Caribbean Office to obtain model Puerto Rico documents that contain both languages and contain other adaptations of the regular mortgage forms that have been approved by the Caribbean Office.

f.Virginia. The first sentence of Paragraph 7 should be changed to

read:

"Borrowers under this Note waive the rights of presentment and notice of dishonor and waive the homestead exemption."

After the Borrower's signature lines, add:

This is to certify that this is the Note described in and secured by a Deed of Trust dated _____, 19____, on the Property located in _____, Virginia.

My Commission expires:

Notary Public