

**CITY OF RIALTO  
CALHOME PROGRAM**

**OWNER-OCCUPIED REHABILITATION  
MANUFACTURED HOUSING  
PROMISSORY NOTE AND SECURITY AGREEMENT**  
(hereinafter referred to as this "Note")

**NOTICE TO BORROWER  
THIS DOCUMENT CONTAINS PROVISIONS  
RESTRICTING ASSUMPTIONS**

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

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

FOR VALUE RECEIVED, the undersigned, \_\_\_\_\_ (the "Borrower") hereby promises to pay to the order of City of Rialto ("Lender") at the following address 150 S. Palm Avenue Rialto CA 92376 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 zero percent 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 \_\_\_\_\_ (Make and/or Model) Manufactured Home manufactured by \_\_\_\_\_ in the year of \_\_\_\_\_ having the Decal (License) Number(s) of \_\_\_\_\_, the Serial Number(s) of \_\_\_\_\_, the HUD Label/HCD Insignia Number(s) of \_\_\_\_\_ and physically located at the address of \_\_\_\_\_ (the "Manufactured Home").

1. **Borrower's Obligation.** This Note evidences the obligation of the Borrower to the Lender for the repayment of funds loaned (the "CalHome Loan") to finance the repair and rehabilitation of the Manufactured Home.
2. **Borrower(s) Acknowledge(s) and Agrees:** that the CalHome Loan is subject to the terms, conditions, and restrictions of the State of California CalHome Program as set forth in Health and Safety Code section 50650 et seq. and implementing guidelines or regulations adopted by the California Department of Housing and Community Development, all of which are hereby incorporated by reference.
3. **Deferred 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) 20 years from the date of this Note; or
  - (b) Upon sale, transfer, lease, or encumbrance of all or any interest in the Manufactured Home without Lender's prior written consent, except for transfers permitted in Paragraph 8; or
  - (c) Upon Borrower's failure to occupy the Manufactured Home as Borrower's principal place of residence.

**Loan Forgiveness.** Notwithstanding 3(a) above, provided that Borrower remains the owner of the Manufactured Home and resides in the Manufactured Home as Borrower's principal residence, the outstanding balance of this Note shall be forgiven as follows: on the date that is the eleventh (11<sup>th</sup>) anniversary of the date of this Note and on each succeeding anniversary of such date, the outstanding principal balance payable under this Note shall be reduced by ten percent (10%) of the original principal balance of this Note so that the entire principal balance shall be forgiven on the twentieth (20<sup>th</sup>) anniversary of the date of this Note.

4. **Security Interest.** Borrower hereby grants to Lender a security interest under the applicable certificate of title law or Uniform Commercial Code in the Manufactured Home and any property added or attached to it, to secure Borrower's obligations under this Note. Borrower also grants to Lender a security interest in any interest Borrower may have in premium refunds or proceeds under any insurance covering the Manufactured Home. Borrower further agrees to execute any application for certificate of title or ownership, financing statement, or other document necessary to perfect Lender's security interest in the Manufactured Home. The security interest under this Note secures payment of all of the Borrower's indebtedness, including debts, obligations or liabilities which now exist or are hereafter created, and whether they are absolute or contingent, and includes future advances.
5. **Title.** Borrower represents and warrants that Borrower will be the registered owner on the title to the Manufactured Home upon disbursement of the loan funds, which are evidenced by this Note.
6. **Protection of the Manufactured Home.** Borrower shall with respect to the Manufactured Home: (a) keep it in good condition and repair; (b) not commit waste on it or any property added or attached to it; (c) not use it for any unlawful purpose; (d) not remove, nor permit to be removed, any part of it or any property added or attached to it (from the above stated physical address) without the prior written consent of Lender which shall not be unreasonably withheld (e) pay all taxes, charges and space rent due for it and the real estate it is located on; (f) not move, sell, lease or otherwise transfer title to it; (g) not attach it to any real estate and to maintain it as personal property; (h) not sell, assign or create or permit to exist any lien on or security interest in it in favor of anyone other than Lender, unless Lender consents thereto in advance in writing; (i) remove, upon Lender's request, any unauthorized lien or security interest in it, and defend any claim affecting it; (j) pay all charges against it, including but not limited to taxes, assessments, encumbrances, rents, and insurance, and upon Borrower's failure to do so, Lender may pay any such charge as it deems necessary and add the amount paid to the indebtedness of Borrower secured hereunder; and (k) permit Lender and Lender's representatives to inspect it at any reasonable time and upon reasonable notice.
7. **Insurance.** Borrower shall keep the Manufactured Home insured against such risks and in such amounts as Lender may reasonably require with an insurance company satisfactory to Lender. Borrower shall arrange for Lender to be named as loss payee on the policy. Borrower shall provide Lender written evidence of insurance as requested by Lender from time to time. Borrower agrees that the insurance company may make any payments due under the policy directly to Lender, and Borrower hereby directs the insurance company to do so. Lender may do whatever it thinks necessary to be sure that any proceeds of the insurance will be used to repair the Manufactured Home or pay off this Note. Borrower hereby gives Lender a power of attorney (which Borrower cannot cancel) so that Lender may do whatever it needs to in order to collect the insurance proceeds. If Borrower fails to obtain, maintain or pay for the required insurance, or if Borrower fails to arrange for Lender to be named as loss payee, Lender may treat that as a default of Borrower's obligations under this Note, and Lender may (but is not required to) purchase such insurance. If Lender purchases such insurance, Borrower will immediately repay Lender for any amounts Lender spends in purchasing the insurance or, at Lender's option, pay Lender over time as a workout of the obligation.
8. **Permitted Transfers.**

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

- (a) The transfer of the Manufactured Home 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 Manufactured Home where the spouse becomes an owner of the property;
- (c) A transfer of the Manufactured Home resulting from a decree of dissolution of marriage, legal separation or from an incidental property settlement agreement by which the spouse becomes an owner of the Manufactured Home.
- (d) A transfer to an inter vivos trust in which the Borrower is and remains the beneficiary and occupant of the Manufactured Home.

9. **Events of Default.** Any of the following shall constitute an event of default under this Note:
- (a) Borrower fails to make any payment due hereunder on time.
  - (b) Borrower ceases to occupy the Manufactured Home as Borrower's principal place of residence. Borrower's failure to occupy the Manufactured Home as Borrower's principal place of residence shall be considered an on-going event of default under this Note.
  - (c) Borrower fails to perform any obligation set forth in this Note.
  - (d) Borrower fails to pay space rent, utilities and related charges due a landlord or mobilehome park where the Manufactured Home is located.
  - (e) Any of Borrower's representations or warranties in this Note or in Borrower's application for the CalHome Loan shall prove to have been untrue in any material respect when made; or the Borrower shall have concealed any material fact from the Lender; or any of the Borrower's representations or warranties in this Note or in Borrower's application for the CalHome Loan shall cease to be true and shall remain untrue for fifteen (15) days after notice of such change to Borrower by Lender.
  - (f) Lender in good faith considers itself insecure because the prospect of payment is impaired, or the prospect of performance of an agreement or covenant is impaired or the value or priority of Lender's security interest in the Manufactured Home is impaired.
10. **Remedies.** In the event of default under this Note, after any notice period required by state or federal law, Lender may:
- (a) Declare all sums secured by this Note immediately due and payable. Failure of the holder to exercise this option to accelerate payment will not constitute waiver of the right to exercise this option in the event of subsequent cause for acceleration. As the result of an acceleration of the then unpaid principal balance under the terms of this Note, the entire unpaid principal balance shall automatically bear an annual interest rate (instead of the rate specified in the first paragraph of this Note) equal to the less of (a) \_\_\_\_\_ percent (\_\_\_\_%) or (b) the maximum interest rate allowed by law (the Default Rate).
  - (b) Incur expenses, including reasonable attorney's fees and legal expenses, to exercise any right or power under this Note.
  - (c) Perform any obligation of the Borrower and make any payments, purchase, or compromise any encumbrance, charge or lien, and pay taxes and expenses.
  - (d) Retain the Manufactured Home in satisfaction of the obligation, dispose of the Manufactured Home and apply the proceeds of disposition, including provision for reasonable attorney's fees and legal expenses incurred by Lender. It is further agreed, subject to applicable law, that upon any sale of the Manufactured Home according to law, or under the power herein given, that Lender may bid at said sale, or purchase the Manufactured Home, or any part thereof at said sale.
11. **Place and Manner of Payment.** All amounts due and payable under this Note are payable at the principal office 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.
12. **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.
13. **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 enforcement of this Note.

14. **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 Manufactured Home, 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 mails in accordance with this provision.
15. **Prepayment Policy:** Borrower may prepay this Note at any time without penalty.
16. **Borrower's Waiver:** Borrower waives any right to require Lender to proceed against another person or to pursue any other remedy that the Lender may have. Borrower waives presentment, demand for performance, notice of nonperformance, protest, notice of protest, and dishonor with respect to the Manufactured Home. Borrower waives the right to require the Lender to preserve rights against prior parties to instruments or chattel paper. Notwithstanding the provisions of Paragraph 10 above, Borrower also waives any right to notice of an event of default under this Note if Borrower has voluntarily surrendered or abandoned the Manufactured Home.
17. **Governing Law.** This Note shall be construed in accordance with and be governed by the laws of the State of California.
18. **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.
19. **No Waiver by the Lender.** No waiver of any breach, default or failure of condition under the terms of the Note 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 or any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver.
20. **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.

If more than one Borrower executes this Promissory Note and Security Agreement, the obligations hereunder are joint and several. All words used herein in the singular shall be deemed to have been used in the plural when the context and construction so require

Executed as of the date set forth above at Rialto, California

---

**Borrower**

---

**Borrower**

**Mailing Address for Notices:**

**City of Rialto  
Attn: Community Development Department  
150 S. Palm Avenue  
Rialto, CA 92376**