BALLOON NOTE ADDENDUM
(CONDITIONAL RIGHT TO REFINANCE)

THIS BALLOON NOTE ADDENDUM is made this ______ day of ________________________, ______ and is incorporated into and shall be deemed to amend and supplement the Balloon Note made by the undersigned (the “Borrower”) in favor of ________________________ (the “Lender”) and dated the same date as this Addendum (the “Note”). The interest Rate stated on the Note is called the “Note Rate.” The date of the Note is called the “Note Date.”

I (the Borrower) understand the Lender may transfer the Note, the related Mortgage, Deed of Trust, or Deed to Secure Debt (the “Security Instrument”) and this Addendum. The Lender or anyone who takes the Note, Security Instrument and this Addendum by transfer and who is entitled to receive payments under the Note is called the “Note Holder.”

ADDITIONAL COVENANTS. In addition to the covenants and agreements in the Security Instrument, Borrower, and Lender, further covenant and agree as follows (despite anything to the contrary contained in the Security Instrument or the Note):

1. CONDITIONAL RIGHT TO REFINANCE
At the maturity date of the Note and Security Instrument (the “Note Maturity Date”), I will be able to obtain a new loan (“New Loan”) with a new Maturity Date of ________________________, ______ (the “New Maturity Date”) and with an interest rate equal to the “New Loan Rate” determined in accordance with Section 3 below if all the conditions provided in Sections 2 and 5 below are met (the “Conditional Refinance Option”). If those conditions are not met, I understand that the Note Holder is under no obligation to refinance the Note, or to modify the Note, reset the Note Rate, or extend the Note Maturity Date, and that I will have to repay the Note from my own resources or find a lender willing to lend me the money to repay the Note.

2. CONDITIONS TO OPTION
If I want to exercise the Conditional Refinance Option, certain conditions must be met as of the Note Maturity Date. These conditions are: (a) I must still be the owner and occupant of the property subject to the Security Instrument (the “Property”); (b) I must be current in my monthly payments and cannot have been more than 30 days late on any of the 12 scheduled monthly payments immediately preceding the Note Maturity Date; (c) there are no liens, defects, or encumbrances against the Property, or other adverse matters affecting title to the Property (except for taxes and special assessments not yet due and payable) arising after the Security Instrument was recorded; (d) the New Loan Rate cannot be more than 5 percentage points above the Note Rate; and (e) I must make a written request to the Note Holder as provided in Section 5 below.

3. CALCULATING THE LOAN NOTE RATE
The New Loan Rate will be a fixed rate of interest equal to the Federal Home Loan Mortgage Corporation’s required net yield for 30-year fixed rate mortgages subject to a 60-day mandatory delivery commitment, plus one-half of one percent (0.5%), rounded to the nearest one-eighth of one percent (0. 125%) (the “New Loan Rate”). The required net yield shall be the applicable net yield in effect on the date and time of day that the Note Holder receives notice of my election to exercise the Conditional Refinance Option. If this required net yield is not available, the Note Holder will determine the New Loan Rate by using comparable information.

4. CALCULATING THE NEW PAYMENT AMOUNT
Provided the New Loan Rate as calculated in Section 3 above is not greater than 5 percentage points above the Note Rate and all other conditions required in Section 2 above are satisfied, the Note Holder will determine the amount of the monthly payment that will be sufficient to repay in full (a) the unpaid principal, plus (b) accrued but unpaid interest, plus (c) all other sums I will owe under the Note and Security Instrument on the Note Maturity Date (assuming my monthly payments then are current, as required under Section 2 above), over the term of the New Loan at the New Loan Rate in equal monthly payments. The result of this calculation will be the amount of my new principal and interest payment every month until the New Loan is fully paid.
5. EXERCISING THE CONDITIONAL REFINANCE OPTION

The Note Holder will notify me at least 60 calendar days in advance of the Note Maturity Date and advise me of the principal, accrued but unpaid interest, and all other sums I am expected to owe on the Note Maturity Date. The Note Holder also will advise me that I may exercise the Conditional Refinance Option if the conditions in Section 2 above are met. The Note Holder will provide my payment record information, together with the name, title and address of the person representing the Note Holder that I must notify in order to exercise the Conditional Refinance Option. If I meet the conditions of Section 2 above, I may exercise the Conditional Refinance Option by notifying the Note Holder no earlier than 60 calendar days and no later than 45 calendar days prior to the Note Maturity Date. The Note Holder will calculate the fixed New Loan Rate based upon the Federal Home Loan Mortgage Corporation’s applicable published required net yield in effect on the date and time of day notification is received by the Note Holder and as calculated in Section 3 above. I will then have 30 calendar days to provide the Note Holder with acceptable proof of my required ownership, occupancy and property lien status. Before the Note Maturity Date the Note Holder will advise me of the new interest rate (the New Loan Rate), new monthly payment amount and a date, time and place at which I must appear to sign any documents required to complete the required refinancing. I understand the Note Holder will charge me a $250 processing fee and the costs associated with the exercise of the Conditional Refinance Option, including but not limited to the cost of updating the title insurance policy.

By SIGNING BELOW, BORROWER accepts and agrees to the terms and covenants contained in this Balloon Note Addendum.

--------------------------------------------------- (Seal)  
- Borrower

--------------------------------------------------- (Seal)  
- Borrower

--------------------------------------------------- (Seal)  
- Borrower

[Sign Original Only]