

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

OCCUPANCY ADDENDUM

TO BE RECORDED WITH HOC FIRST TRUST DEED OF TRUST

SETTLEMENT DOCUMENT

INSTRUCTIONS FOR SETTLEMENT:

- Borrower **SIGNS** at settlement and is notarized.
- **ORIGINAL ADDENDUM** to be **RECORDED** with DOT. Return to **LENDER** when **RECORDED**.
- Provide **TWO CERTIFIED TRUE COPY** after settlement to Lender.

INSTRUCTIONS TO LENDER:

- **SUBMIT COPY** of Certified True Copy with **MBS POST-CLOSING COMPLIANCE PACKAGE TO HOC**.
- **SUBMIT TWO** Certified True Copy to U.S. Bank as per U.S. Bank FHA Loan Delivery Checklist.
- **ORIGINAL RECORDED Addendum MUST FOLLOW** to U.S. Bank.

THIS OCCUPANCY ADDENDUM is made this ___ day of _____, 20_____, and is incorporated into and shall be deemed to amend and supplement a Deed of Trust dated the same date herewith, given by the undersigned (herein called the "Borrower") to secure Borrower's Note in the principal sum of \$ _____ (herein called "Note") given to _____ (herein called "Lender") and covering the property described in the Deed of Trust and located at _____ (herein called the "Property"). Borrower understands and acknowledges that Lender has agreed to originate this loan and sell it to the Housing Opportunities Commission of Montgomery County (herein called the "Commission") pursuant to the terms of the Commission's Mortgage Purchase Program (the "Program") authorized by Section 8A or Article 44A of the Annotated Code of Maryland, as amended, the actions of the Commission and a Financing Agreement with the Lender.

A. **Covenants and Agreements of Borrower.** In addition to the covenants and agreements made in the Deed of Trust, Borrower further covenants and agrees as follows:

1. Borrower will use the Property as his or her Principal Residence and will not use the Property, at any time the Deed of Trust is outstanding, in a trade or business (or deduct a portion of the Property as a home business expense), as an investment or rental property or as a recreational home and will not use more than 15% of the total residence in a trade or business.

2. Borrower had no present ownership interest in a residence at any time during the three-year period before the date on which the contract of sale with respect to the Property was executed. (For purposes of this statement, Borrower's present ownership interest in a principal residence shall include fee simple interest, joint tenancy, tenancy in common, tenancy by the entirety, a life estate, a land contract, and an interest held in trust for the borrower; no present ownership interest in a principal residence is evidenced by a remainder interest, a lease with or without an option to purchase, a mere expectancy to inherit or an interest that Borrower acquired on the execution of a purchase contract. Borrower covenants that the federal income returns submitted to the Lender are true and accurate. Borrower covenants that he or she was not required to file returns in accordance with federal tax law during one or all of the preceding three years.) [STRIKE OUT LAST SENTENCE IF NOT APPLICABLE.]

3. The Acquisition Cost of the Property does not exceed the maximum sales price limits as established by the Commission. Current maximum limit is: \$ _____. For purposes of this statement, the term "Acquisition Cost" means the cost of acquiring the Property from the seller as a completed residential unit, and includes all amounts paid, either in cash or in kind, by or, on behalf of, Borrower to seller as consideration for the Property and, if applicable, the reasonable cost of completing the Property where the Property is incomplete. Any payment representing a payment for the cost of an option on the purchase of a Residence shall be included in the calculation of "Acquisition Cost". If the Borrower owned the land on which the Property is situated for at least two (2) years before the commencement of construction of the Property, "Acquisition Cost" does not include the cost of the land. In addition, Borrower covenants that he or she has not entered into any contract or agreement, either express or implied, to obtain the performance of additional construction on the Property.

Acquisition Cost does not (except for "moderately priced dwelling units" as defined in the Montgomery County Code Section 25A-3) include the usual and reasonable settlement or financing costs.

4. Borrower's gross annual household income is \$ _____.

5. Borrower did not have a permanent mortgage loan on the Property at any time before the Deed of Trust to above.

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6. Borrower shall not permit assumption of this Deed of Trust and Note and the entire principal indebtedness and accrued interest shall be due from Borrower upon sale, transfer, assignment, lease or other attempt to alienate this property without the written consent of the Commission.

7. Borrower cannot move out and rent the property without permission from the Commission. Borrower must occupy property described in the Deed of Trust as long as this mortgage is outstanding.

Borrower understands and acknowledges that the loan to the Borrower was made pursuant to the terms of the Program, the actions of the Commission and a financing agreement with the Lender. Accordingly, in addition to the covenants and agreements in the Deed of Trust, the Borrower further covenants and agrees that should the Borrower rent or lease the property, or allow the transfer of the property and assumption of this Deed of trust and Note without the written agreement of the Commission or transfer of the property without the written agreement of the Commission in any other manner without full payment of the outstanding principal balance or knowingly have made any false statement or report for the purpose of influencing the Lender or the Commission to authorize the making of the Loan secured by this Deed of Trust, the Commission may at the Commission's sole discretion exercise any one or more of the following options: (subject to the consent of FHA if the mortgage is insured by FHA.)

- (a) Declare the acts or omissions as a default and breach of the Deed of Trust, accelerate the sum secured and direct the institution of the provisions of the Deed of Trust with regard to foreclosure and sale of the Property.
- (b) Increase the rate on the Note to a maximum of 15% per annum at the discretion of the Commission. The monthly payment of principal and interest would be adjusted in accordance with the increased rate on the outstanding principal balance over the remaining term of the Note.
- (c) Reduce the original term of the Note to twenty (20) years and increase the required monthly payments of principal and interest accordingly.

B. Tax Treatment. Borrower acknowledges that under current federal income tax law, if Borrower no longer uses the Property as his or her Principal Residence, Borrower may not be entitled to deduct the interest on his or her Note for federal income tax purposes. However, future interest expenses may be deducted for federal income tax purposes to the extent incurred after the Mortgagor reestablishes the Residence as his or her Principal Residence.

IN WITNESS WHEREOF, Borrower has executed this Occupancy Addendum.

Borrower

Borrower

[NOTARY]
STATE OF MARYLAND)
 : ss.:
COUNTY OF MONTGOMERY)

On this _____ day of _____, 20____, before me, a notary public for the said county and state, personally appeared _____ known to me (or satisfactorily proven to be the persons whose names are subscribed to the within Occupancy Addendum) and acknowledged that they executed the same for the purpose therein contained.

IN WITNESS THEREOF, I hereunto set my hand and official seal.

Notary

[seal]

My commission expires: _____