



SHARED APPRECIATION NOTE

Installment — Contingent Interest Extra

Prepared by: Agent _____
Broker _____

Phone _____
Email _____

NOTE: This form is used by a loan broker or escrow officer when originating a mortgage with a lender or carryback seller, to evidence the debt owed on terms calling for installment payments of principal and interest plus additional contingent interest set as a percentage of the net equity increase in the value of the secured property.

\$ _____, dated _____, 20_____, at _____, California.
Items left blank or unchecked are not applicable.

1. In installments, I promise to pay to _____, as the Payee, or order, at _____,

1.1 the sum of _____ DOLLARS,

1.2 with interest from _____, 20_____, on unpaid principal,

1.3 at the rate of _____% per annum, plus any contingent interest provided for below.

2. Principal and interest payable in installments of \$ _____, or more,

2.1 on the _____ day of every month, quarter, year, beginning on the _____ day of _____, 20_____,

2.2 and continuing until _____, 20_____, when the principal is due and payable.

3. CONTINGENT INTEREST:

3.1 Contingent interest will be due on any of the following events:

- a. maturity of the note;
- b. resale of the property;
- c. prepayment of the note; or
- d. acceleration of the note.

3.2 Contingent interest will be payable only from the net appreciated value of the secured property.

3.3 Contingent interest is computed as follows:

- a. _____% of the net appreciated value of the property when the contingent interest is due; or
- b. _____% annually on the original note amount, compounded annually at the aggregate note rate until the contingent interest is paid.

4. NET APPRECIATED VALUE:

4.1 The net appreciated value is the fair market value of the property when the contingent interest is due, less Payor's original acquisition costs, the value of additional capital improvements made by Payor, and customary resale costs including a brokerage fee.

4.2 Payor's original acquisition cost of the property includes the total purchase price, plus customary escrow and recording fees, title insurance premiums, notary fees, legal fees, credit report fees, appraisal fees, broker fees, loan origination or assumption fees, inspection fees and all other customary costs incurred in acquiring the security.

- a. Payor needs to document the above costs within two months after close of escrow by delivering their escrow closing statement and other supporting documents to Payee.

5. FAIR MARKET VALUE:

The fair market value of the property is to be determined as follows:

5.1 When the security is not being resold, by appraisal on the following method:

- a. Payor to obtain and pay the costs of an appraisal of the property value prepared by a certified residential real estate appraiser within three months prior to payment of the contingent interest.

5.2 On resale of the property, the sales price is to be deemed the fair market value, unless Payee contests the sales price in writing within 10 days after receipt of written notification of the sale from Payor. If Payee contests the sales price, fair market value will be the greater of the sales price or the amount determined by appraisal under Section 5.1.

5.3 Payor and Payee may at any time establish the fair market value by mutual agreement.

6. ADDITIONAL CAPITAL IMPROVEMENTS:

Payor may have the value of capital improvements added to their cost of the property by mailing to Payee a cost breakdown for approval prior to undertaking the improvement. If approval is withheld, the value of capital improvements will be determined by appraisal at the time of improvement under Section 5.1.

7. PREPAYMENT: (check one only)

- 7.1 For owner-occupied, one-to-four residential units: If Payor voluntarily or involuntarily pays in any 12-month period within five years after origination an amount in excess of 20% of the original principal amount of the note before it is due, a prepayment penalty is due in the amount of six months' advance interest on the amount prepaid in excess of 20% of the original principal balance amount, except as prohibited by law on the use of any due-on clause.
- 7.2 For all other residential and commercial property: Privilege is reserved to prepay all or part of this note at any time by paying principal, accrued interest, and six months' unearned interest.

8. LATE PAYMENT:

If any installment payment under this note is not paid within _____ days after its due date, a late charge of \$_____ will be incurred by Payor and be due and payable upon Payee's demand.

9. BALLOON/FINAL PAYMENT NOTICE:

This note is to contain the following balloon payment notice provision (mandatory on sales of four-or-less residential units): "This Note is subject to Section 2966 of the Civil Code, which provides that the holder of this note shall give written notice to the trustor, or his successor in interest, of prescribed information at least 90 days and not more than 150 days before any balloon payment is due."

10. GENERAL PROVISIONS:

- 10.1 Any unpaid interest will be added to the principal and thereafter bear interest as the principal.
- 10.2 If default occurs on any installment of principal or interest when due, then the whole sum of principal and interest will be due at the option of Payee.
- 10.3 In any action to enforce this agreement, the prevailing party is to receive attorney fees.
- 10.4 Principal and interest payable in lawful money of the United States of America.
- 10.5 This note is secured by a DEED OF TRUST.

Payor's Name: _____ Payor's Signature: _____ Payor's Name: _____ Payor's Signature: _____	Payor's Name: _____ Payor's Signature: _____ Payor's Name: _____ Payor's Signature: _____
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