

**PREPAYMENT OF PRINCIPAL PROVISIONS**

Penalties and Discounts

**NOTE:** This form is used by a loan broker or escrow officer when originating a mortgage with a lender or carryback seller, to include prepayment provisions in the promissory note.

**DATE:** \_\_\_\_\_, 20\_\_\_\_\_, at \_\_\_\_\_, California.

*Items left blank or unchecked are not applicable.*

**FACTS:**

- 1. This is an addendum to a promissory note
  - 1.1  of same date, or dated \_\_\_\_\_, 20\_\_\_\_\_, at \_\_\_\_\_, California,
  - 1.2 entered into by \_\_\_\_\_, as the Payor,
  - 1.3 in favor of \_\_\_\_\_, as the Payee, and
  - 1.4 secured by a trust deed on real estate referred to as \_\_\_\_\_

**AGREEMENT:**

- 2. In addition to the terms of the above referenced promissory note, Payee agrees to the following checked provisions:
  - 2.1 *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, on demand, 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.
  - 2.2 *For broker-made-arranged loans on owner-occupied, single family residences [Calif. Business and Professions Code §10242.6(a)]:*
    - If Payor voluntarily or involuntarily pays in any 12-month period within seven years after origination an amount amount in excess of 20% of the remaining principal amount of the note before it is due, a prepayment penalty is due, on demand, in the amount of six months' advance interest on the amount prepaid in excess of 20% of the remaining principal balance, except as prohibited by law on the use of any due-on clause.
  - 2.3 *On all other residential and commercial property:*
    - If all or part of the principal is paid, voluntarily or involuntarily, before it is due, a prepayment penalty is due, on demand, in the amount of \_\_\_\_% of the principal prepaid in excess of the principal included in the regularly scheduled payments, except as prohibited by law on the use of any due-on clause.
  - 2.4 *Discount for early payoff provision:*
    - Payor is hereby granted the irrevocable right to purchase or pay off and fully satisfy the note on payment of the sum equal to the principal remaining unpaid less a \_\_\_\_% discount, plus accrued interest and future advances, for the period expiring \_\_\_\_\_, 20\_\_\_\_\_.

|                     |                     |
|---------------------|---------------------|
| Payor's name: _____ | Payor's name: _____ |
| Signature: _____    | Signature: _____    |
| Payor's name: _____ | Payor's name: _____ |
| Signature: _____    | Signature: _____    |