CONSTRUCTION LOAN ADDENDUM AMENDING NOTE

THIS CONSTRUCTION LOAN ADDENDUM (the “Addendum”) is made this ___ day of ____, ____, and is incorporated into and shall be deemed to amend and supplement the note made by the undersigned Borrower, (“I”, “me”, “my”) to evidence my indebtedness (the “Loan”) to __ and its successors and assigns (the “Note Holder”) and dated the same date as this Addendum (the “Note”). The Note is secured by a security instrument, as modified or amended, in favor of the Lender dated the same date as this Addendum (the “Security Instrument”). All terms defined in the Note shall have the same meaning in this Addendum.

ADDITIONAL COVENANTS. In addition to the covenants and agreements made in the Note, Note Holder and I further covenant and agree as follows:

1. CONSTRUCTION/PERMANENT LOAN. The Note, as amended by this Addendum, is for a construction loan and a permanent mortgage loan. During the Construction Phase of the Loan, Note Holder will advance funds in accordance with the Construction Loan Agreement dated the same date as this Addendum (the “Loan Agreement”). The “Construction Phase” is the period beginning on the date the Loan consummates (the “Closing Date”) until the Completion Date specified in the Loan Agreement. The Completion Date is ____, ____. The “Permanent Phase” is the period beginning on the day following the Completion Date specified in the Loan Agreement. On the first day following the Completion Date (“Permanent Mortgage Date”), the Loan will be a permanent mortgage loan. The Permanent Mortgage Date for my Loan is ____, ____. My first payment of principal and interest during the Permanent Phase will be due on the first day of the second month following the Completion Date which is ____, ____, as stated in Section 3(A) of the Note.

2. INTEREST AND PAYMENTS.
   (A) Construction Phase Interest Rate.
   During the Construction Phase of the Loan, I will pay interest only on the amount of the Loan proceeds Lender disburse under the Loan Agreement (each, an “Advance”). I will pay interest at the rate stated in Section 2 of the Note (“Note Rate”).

   (B) Permanent Phase Rate
   During the Permanent Phase, I will pay interest (“Permanent Phase Rate”) at the rate stated in Section 2 of the Note (“Note Rate”). Ten business days prior to the Completion Date the Permanent Phase Rate will be reduced to the Floatdown Rate. The Floatdown Rate is equal to M&T Bank’s 60-day market rate for my loan as of the day that is ten (10) business days prior to the Completion Date plus one-eighth of one percent (.125%) (“Floatdown Rate”). If the Floatdown Rate equals or exceeds the Note Rate, my Permanent Phase Rate will remain the Note Rate.

   If my loan is an adjustable rate loan, I understand that my Permanent Phase Rate will adjust in accordance with the terms of the Note.

   (C) Interest Only Payments
   Interest on Advances shall be calculated from the date each Advance is made. My Construction Phase interest payments will be:
Check applicable box:
☐ due and payable fifteen (15) days after being billed by Note Holder, or
☐ paid directly from the “Interest Reserve Account” established at the time of closing in the amount reflected in Construction Loan Disbursement Schedule, attached as Exhibit “B” to the Loan Agreement.

(D) Interest Reserve Payments

If I choose to establish an Interest Reserve Account, (1) Construction Phase interest will be advanced by Note Holder from the Interest Reserve Account on the first day of the month following the month in which the interest is billed, (2) Construction Phase interest advanced will be added to Principal and (3) I will pay interest on all Principal, including Advances from the Interest Reserve Account.

In the event that the Interest Reserve Account is depleted prior to the Completion Date, I agree to pay directly to Note Holder from my own funds any and all interest, which accrues prior to the Completion Date. In the event that there are funds remaining in the Interest Reserve Account on the Permanent Mortgage Date, I understand and agree that I am not entitled to use or withdraw those funds for any purpose. Any funds remaining in the Interest Reserve Account on the Completion Date will be applied to principal.

Further, if I am in default under the terms of the loan, or the Loan Agreement, I agree that Note Holder may, at its option, cease making monthly payments from the Interest Reserve Account.

Note Holder shall pay no interest on the Interest Reserve Account.

(E) Principal Prepayments; Permanent Phase Interest and Principal Payments

Any portion of a payment Note Holder receives in excess of the interest due during the Construction Phase or any funds Note Holder does not advance under the Loan Agreement may, at Note Holder’s option, be used to pay costs associated with the Construction Phase or may be credited as a partial prepayment of the Principal amount of the Loan. The partial prepayment will reduce the amount of my monthly payments.

Beginning on the Permanent Mortgage Date, principal and interest will be due and payable as set forth in the Note.

3. NOTICE OF NO ORAL AGREEMENT. THE NOTE, THIS ADDENDUM, THE LOAN AGREEMENT, AND THE SECURITY INSTRUMENT, AS AMENDED, REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND TO THE EXTENT PERMITTED BY LAW, MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENT OF THE PARTIES. THERE ARE NO ORAL AGREEMENTS BETWEEN THE PARTIES.

BY SIGNING BELOW, I accept and agree to the terms and covenants contained in this Addendum. DATED this _____ day of _____, _____.