**Prepared By/Return To:**  Enter Company Name, Enter Your Name, Member Bank Address, Member Bank City , Member Bank Zip Code

Lease Addendum

(Hawaiian Home Lands)

THE STATE OF State

COUNTY OF County

The terms of this LEASE ADDENDUM are hereby incorporated into the Department of Hawaiian Home Lands Residential Lot Lease No. Enter Lot Lease Number, dated Enter Day / Month / Year, (“Lease”), attached hereto as Exhibit A, by and between the State of Hawaii, by its Department of Hawaiian Home Lands, and       Homebuyer Full Name (“Lessee” or “Grantor”).

Lessee/Grantor is the lessee of certain real property located at Enter Street Address of Property, in Enter City , Enter Zip Code County, State of Hawaii, owned and held by the State of Hawaii, by its Department of Hawaiian Home Lands, under the Hawaiian Homes Commission Act of 1920, as amended (the “Property”). For value received, the adequacy and sufficiency of which are hereby acknowledged, Lessee/Grantor does hereby impress the Property with the following lease addendum restrictions:

1. For purposes of these restrictions, the following terms have meaning indicated:

“AHP” means the affordable housing program of the Bank.

“Bank” means The Federal Home Loan Bank of Des Moines ATTN: Community Investment Department, 909 Locust Street Des Moines, IA 50309-3515.

“Lender” or “Grantee” means Member Bank, with place of business is located at: Enter Member Address, City, Zip.

“Closing Date” means Enter Day / Month / Year.

“Direct Subsidy” means the amount funded by the Bank, in association with its AHP as prescribed by the applicable rules and regulations of the Federal Housing Finance Agency (“FHFA”), for the benefit of the prospective Lessee/Grantor and for the purpose of assisting such Lessee/Grantor for purchase, for purchase in conjunction with rehabilitation, or for construction of the Property as permitted by the applicable AHP program.

“Household’s Investment” means the following, to the extent paid by the household and documented (in the Closing Disclosure or other settlement statement, if applicable, or elsewhere) to the Bank or its designee: (1) Reasonable and customary costs paid by the household in connection with the purchase of the unit (including real estate broker's commission, attorney's fees, and title search fees); (2) Any down payment paid in connection with the household's purchase of the unit; (3) The cost of any capital improvements made after the household's purchase of the unit until the time of the subsequent sale, transfer, assignment of title or lease, or refinancing; and (4) The amount of principal on any mortgage senior to the AHP subsidy lien or other legally enforceable AHP subsidy repayment obligation repaid by the household.

“Net Proceeds” means: (1) In the case of a sale, transfer, or assignment of title or lease of an AHP-assisted unit by a household during the five-year retention period, the sales price minus reasonable and customary costs paid by the household in connection with the transaction (including real estate broker's commission, attorney's fees, and title search fees) and outstanding debt superior to the AHP subsidy lien or other legally enforceable AHP subsidy repayment obligation; (2) In the case of a refinancing of an AHP-assisted unit by a household during the five-year retention period, the principal amount of the new mortgage minus reasonable and customary costs paid by the household in connection with the transaction (including attorney's fees and title search fees) and the principal amount of the refinanced mortgage.

“Retention Period” means a period of five (5) years beginning on the Closing Date.

“Termination Date” means the next calendar day following the end of the Retention Period, on which day this Lease Addendum shall terminate and be of no further force or effect.

“Very low-, low-, or moderate-income household” means a family with an income at or below 30%, 50% or 80% respectively, of the median income for the area, with the income limit adjusted for household size in accordance with the methodology of the applicable median income standard.

1. *Notice.* The Bank and Lender/Grantee is to be given notice of any sale, transfer, assignment of title or lease, or refinancing of the Property that occurs prior to the end of the Retention Period.
2. *Repayment of subsidy.* In the case of a sale, transfer, assignment of title or lease, or refinancing of the Property during the Retention Period, an amount equal to a pro rata share of the $ [xx,xxx] Direct Subsidy, shall be repaid to the Bank from any Net Proceeds, as applicable, minus the AHP-assisted household’s investment realized upon the sale transfer, assignment of title or lease, or refinancing of the Property, in accordance with Section 6, unless:
3. the Property was assisted with a permanent mortgage loan funded by an AHP subsidized advance;
4. the Property is sold, transferred or assigned to a very low-, low-, or moderate-income household based on proxy or actual income, as determined by the Bank
5. the amount of subsidy that would be required to be repaid in accordance with the calculation in Section 6 is $2,500 or less, or;
6. following a refinancing, the unit continues to be subject to a lease addendum or other legally enforceable retention agreement or mechanism.
7. *Subsidy repayments to Bank.* Repayment of the Direct Subsidy shall be made to the Bank. The Lender/Grantee is required by FHFA regulations to remit any payments received to the Bank.
8. *Termination of subsidy repayment obligation*. This instrument and these restrictions are subordinate to the rights and liens, if any, under any valid outstanding Mortgage or Deed of Trust, currently of record. The obligation to repay the Direct Subsidy shall terminate after any event of foreclosure, transfer by deed-in-lieu of foreclosure, or assignment of a Federal Housing Administration first Mortgage or Deed of Trust to the Secretary of the U.S. Department of Housing and Urban Development (HUD), or death of the AHP-assisted homeowner.
9. *Calculation of AHP subsidy repayment based on net proceeds and household’s investment.* The Bank shall be repaid the lesser of:
10. the AHP subsidy amount equal to the Direct Subsidy, reduced by 1/60 for every month the Lessee/Grantor owned the Property; or
11. any net proceeds from the sale, transfer, or assignment of title or lease of the unit, or the refinancing, as applicable, minus the AHP-assisted household’s investment.
12. If the Property for which the Direct Subsidy is used is located on land held in trust by the United States government for a Native American Tribe, is located on Native land in the State of Alaska conveyed by the Alaska Native Claims Settlement Act, as amended, or is located on Hawaiian Home Lands created or held under the Hawaiian Homes Commission Act of 1920, as amended, by the State of Hawaii, Department of Hawaiian Home Lands, then neither the Lender/Grantee nor the Bank shall have any rights relating to the Property, including the right to sell, foreclose or occupy the Property.
13. This instrument and the lease addendum restrictions contained herein shall be deemed released and discharged on the earlier to occur of (i) the Termination Date, or (ii) the date on which the Direct Subsidy is repaid prior to the Termination Date under Sections 3, 4, or 5 hereof. The Lender named in this instrument, or its successors or assigns, shall be responsible for the completion of any and all documentation necessary to effect any release or subordination of this instrument in connection with a sale or refinancing of the Property during the Retention Period. The Lender shall not be required to file a release in connection with the expiration of this lease addendum following the Termination Date.

NOW THEREFORE, the terms of this LEASE ADDENDUM are hereby incorporated into and made an integral part of the (Department of Hawaiian Home Lands Residential Lease No. Enter Lease Number, on Residential Lot No. Enter Lot Number, situated at Enter Property Address, City, Zip), dated Enter Date of Closing and attached hereto "Lease".

IN WITNESS WHEREOF, the parties hereto have executed this LEASE ADDENDUM to acknowledge the hereof on this **Date of Month, Day of Month , Year.**

APPROVED AS TO FORM:

Deputy Attorney General

State of Hawaii

By:

 Title: Hawaiian Homes Commission Chairman

Printed Name: Enter Full Name of Commission Chairman

By:

 Title: Lessee Printed Name: Enter Name of Homebuyer/ Lessee,

Lease No. Enter Lease Number

Lot No. Enter Lot Number

###### Exhibit A

  **(Legal description subject property)**

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