



Promissory Note Guidance

On September 13, 2022, the Texas General Land Office (GLO) updated their guidance regarding the requirement of a Promissory Note under the Hurricane Harvey Local Acquisition and Buyout Program (LBAP).

Effective immediately, a Promissory Note will only be required for any household that receives an incentive option under the Down Payment Assistance (DPA) eligible activity. Subrecipient's should refer to the locally approved LBAP housing guidelines and current contract performance measures to better understand if DPA was made available to households.

Each subrecipient is responsible for creating a Promissory Note for use within their program. The executed note must include but is not limited to the following:

- Information describing the type of housing units that are acceptable for down payment assistance. *For example, single family detached homes, townhomes, condominiums, mobile homes, etc;*
- The Down payment Assistance amount and date the note is effective;
- The timeline that the note must be complied with;
- The terms of the loan, including but not limited to the following terms:
 - A statement affirming the property purchased must be the principal residence of the buyer for a period of XX years (Best practice is a 3-year occupancy requirement);
 - A requirement that property purchased cannot be rented out during the period of the note;
 - Language detailing insurance requirements that the homeowner must maintain throughout the period of the note;
 - A statement requiring that payment of property taxes must be kept current;
- Language outlining the events of default, including but not limited to:
 - Repayment guidelines in cases of default.

The Subrecipient should consult with a legal representative to review and approve the Promissory Note agreement prior to instituting the document.

The Subrecipient will be required to monitor the new home during the established occupancy period. The GLO may monitor each Subrecipient's efforts to ensure compliance. As such, each Subrecipient should follow the method in the approved local LBAP housing guidelines to ensure occupancy requirements have been met based on the locally determined occupancy period requirement.