



**PURCHASE MONEY MORTGAGE ADDENDUM**  
**Hawaii Association of REALTORS® Standard Form**  
**Revised 7/15 For Release 7/15**



**COPYRIGHT AND TRADEMARK NOTICE:** This copyrighted Hawaii Association of REALTORS® Standard Form is licensed for use by the entire real estate industry on condition that there shall be no alteration of the printed portions, pagination, or paragraph numbers or breaks. The use of this form is not intended to identify the real estate licensee as a REALTOR®. REALTOR® is a registered collective membership mark which may be used only by real estate licensees who are members of the National Association of REALTORS® and who subscribe to its Code of Ethics.

Purchase Money Mortgage Addendum is made a part of Purchase Contract:

Reference Date: \_\_\_\_\_

Property Reference or Address: \_\_\_\_\_

Tax Map Key: Div. \_\_\_\_\_ /Zone \_\_\_\_\_ /Sec. \_\_\_\_\_ /Plat \_\_\_\_\_ /Parcel \_\_\_\_\_ /CPR NA (if applicable).

A Purchase Money Mortgage between Seller and Buyer constitutes a means of seller financing. Under Chapter 454F, HRS, a "mortgage loan originator" means an individual who for compensation or gain or in expectation of compensation or gain (a) takes a residential mortgage application or (b) offers or negotiates terms of a residential mortgage loan, and (c) includes an independent contractor who has a contractual arrangement to perform mortgage loan originating, underwriting, or loan processing services to a mortgage loan originator. A mortgage loan originator must be licensed under state and federal law unless exempt from such registration.

In considering seller financing with a Purchase Money Mortgage between Seller and Buyer, Seller would constitute a mortgage loan originator unless exempt under Section 454F-2(10), HRS, as amended, which permits such exemption to a seller of real property who offers or negotiates terms of a residential mortgage loan that is financed by the Seller and secured by the Seller's own real property.

1. **The Agreement.** Seller will convey title to Buyer and Buyer will give Seller a Note and Mortgage as follows to secure payment of the Loan.
- First Mortgage
  - Second Mortgage (Second Mortgage may be subject to First Mortgage approval. Buyer shall provide all necessary notifications and obtain all necessary consents.)
  - Other \_\_\_\_\_

By providing Seller a Note and Mortgage, (i) Buyer will be providing and Seller will be acquiring a security interest in the Buyer's Property upon closing, and (ii) the Buyer may lose the Property in the event of a default under the Note and Mortgage as generally set forth in Section 6 below.

2. **General Terms:**

- A. Principal Amount. The Loan principal balance is \_\_\_\_\_.
- B. Interest. Annual simple Interest will be \_\_\_\_\_ % percent, OR  
 Other \_\_\_\_\_
- C. Term of Loan. Loan must be paid in full no later than \_\_\_\_\_.
- D. Monthly Payment Terms:  
 Monthly Principal and Interest \$ \_\_\_\_\_ OR  Monthly payment if interest-only loan \$ \_\_\_\_\_
- E. Prepayment Penalty: If Buyer pays off the Loan earlier than the end of the Term of Loan, Buyer  will  will not have to pay a prepayment penalty. The prepayment penalty is described as follows:  
 \_\_\_\_\_
- F. Late Payment and Fees: Any payment not received within \_\_\_\_\_ days after it is due will be a "Late Payment". For each Late Payment, Buyer shall promptly pay Seller a late fee of \$ \_\_\_\_\_ or \_\_\_\_\_ % of payment then due.

3. **Seller Additional Statutory Requirements:**

- Seller shall provide Buyer within \_\_\_\_\_ ( 0 ) days after acceptance the following items:
- A. Payment Schedule: The payment schedule including the number of payments, the amount of each payments, and when payments are due is attached hereto and made a part hereof as Exhibit A and entitled "Payment Schedule."
  - B. Total Interest: The total amount of interest that Buyer will pay over the term of the Loan as a percentage of the Principal Amount is \_\_\_\_\_.
  - C. Total Payments: The projected aggregate monthly payments including the Principal Amount and Total Interest made over the Term of Loan are \_\_\_\_\_.
  - D. Estimated Closing Costs:  The estimated closing cost are included in the loan costs and  estimated cash to close if closing costs are not included in the loan costs is \_\_\_\_\_. For purposes of this Loan, closing costs shall include to the extent applicable recording fees, transfer taxes, prepaid costs such as homeowner's insurance premiums or real property taxes, and appraisal costs charged to the Buyer as mortgagor under this Loan.
  - E. Buyer shall have been provided with a current Title Report including any liens against the Property pursuant to Paragraph G-1 of the Purchase Contract.

If Seller does not provide the information required in this Paragraph 3 to Buyer within the specified time period, Buyer may elect to terminate the Purchase Contract pursuant to Paragraph O-3. If Buyer is not satisfied with the information provided, Buyer may elect, within \_\_\_\_\_ ( 0 ) days of receipt of the documents, to terminate the Purchase Contract pursuant to Paragraph O-2.

\_\_\_\_\_  
 BUYER'S INITIALS & DATE

\_\_\_\_\_  
 SELLER'S INITIALS & DATE



**4. Credit Check and Information.**

Seller requires the following information from Buyer within \_\_\_\_\_ days from acceptance of Purchase Contract.

- Current Credit Report
- Tax return(s) for the prior: \_\_\_\_\_ year(s)
- Current financial statement
- Other \_\_\_\_\_
- Most recent bank statement

- A. If Buyer fails to provide Seller the Credit Report and/or other information within the time required, Seller may elect to terminate this Purchase Contract pursuant to Paragraph O-1.
- B. Within \_\_\_\_\_ days after receipt and review of all financial information provided, Seller may elect to terminate this Purchase Contract pursuant to Paragraph O-2.
- C. In the event Purchase Contract is terminated, Seller agrees to promptly return all documents and copies to Buyer.

**5. Buyer Shall Make Payments to:**

- Seller directly, with Seller to provide Buyer with annual accounting within 30 days of calendar year end; OR
- A collection agency (or other entity) \_\_\_\_\_

**COSTS FOR THE COLLECTION AGENCY OR OTHER ENTITY (IF APPLICABLE) WILL BE:**

- Shared equally between Buyer and Seller, OR
- (describe) \_\_\_\_\_

**6. Default:** Default means any Late Payment or other failure by Buyer to keep Buyer's promises made in Note and Mortgage. For each default, Seller may exercise customary remedies, including but not limited to foreclosure.

**7. Transfer of Property:**

- Option 1: If Buyer transfers the Property to someone else (a "transferee"), Seller may require immediate payment in full of the Note and Mortgage ("due on sale" clause).
- Option 2: Buyer may transfer the Property with the consent of Seller. Seller may not unreasonably withhold consent. However, Seller may condition the consent on the credit worthiness and payment capacity of the proposed transferee and may charge a consent fee of \$ \_\_\_\_\_. Seller may not change any terms of Note or Mortgage.
- Option 3: Buyer may transfer the Property without Seller's consent. There will be no "due on sale" clause in the Mortgage.

**8. Further Mortgages or Encumbrances: Buyer may:**

- Further mortgage Property subject to the following conditions: \_\_\_\_\_
- Not further encumber this Property

**9. Personal Property:**

- Items of personal property as provided for in the Purchase Contract and/or Seller's inventory are included, OR
- Items of personal property are not included.

**10. Document Preparation:** The Note and Mortgage will be drafted by an attorney selected by  Buyer  Seller  Escrow  
Attorney's name: \_\_\_\_\_

**11. Insurance:** Prior to closing, Buyer shall obtain, and thereafter maintain for the duration of the Mortgage, insurance coverage as follows (check those that apply):

- Fire and extended peril coverage (with inflation guard) in an amount at least equal to the full replacement costs of the insurable improvements on Property;
- Comprehensive public liability insurance as customarily provided in Hawaii for homeowners insurance;
- Hurricane Property Insurance Policy;
- Flood insurance, if Property is within the Flood zone eligible for federally subsidized flood insurance.

Insurance Policies shall name Seller, any lessor, and/or other mortgagee(s) as additional insureds.

If Property is a condominium or cooperative apartment, these insurance requirements may be met in part by the master insurance policy for the condominium or cooperative.

**12. Alterations and Improvements:** Buyer may not make additions or major improvements to Property without Seller's written consent. Seller has the right to inspect plans and specifications and may condition Seller's consent on Buyer's obtaining required building permits, consents of Condominium Owner's and/or Homeowner's Association, lenders, or lessors, if any, plus evidence of Buyer's adequate financing and/or bonding to pay for the improvements.

**13. Release:** When the loan is paid in full, Seller shall, at Seller's expense, promptly provide Buyer with a Release of Mortgage in recordable form.

**14. Seller Representations as required by Section 454F-2(10):**

- A. Seller is a person, estate, or trust that transacts three or fewer residential mortgage loans in one calendar year;**
- B. Seller is not a loan originator for purposes of the loan originator qualification requirements in 12 Code of Federal Regulations, Section 1026.36(f) and (g);**
- C. Seller has not constructed or acted as the construction contractor for the residence on the Property in the ordinary course of the Seller's business; and**
- D. The interest rate for the Loan does not exceed the Hawaii State's usury limit; provided that the exemptions from usury specified in Section 478-8, Hawaii Revised Statutes, shall not apply to this Loan.**

15. SELLER UNDERSTANDS THAT A PURCHASE MONEY MORTGAGE HAS SERIOUS LEGAL, CASH, CREDIT, AND TAX CONSEQUENCES INCLUDING BUT NOT LIMITED TO FIRPTA AND HARPTA WITHHOLDING REQUIREMENTS. SELLER HAS BEEN ADVISED TO OBTAIN ADVICE FROM A QUALIFIED ATTORNEY, CERTIFIED PUBLIC ACCOUNTANT AND OTHER EXPERTS PRIOR TO ENTERING INTO A PURCHASE MONEY MORTGAGE. SELLER AGREES THAT SELLER HAS NOT RELIED ON BROKERAGE FIRM FOR ANY SUCH INFORMATION NOR HAS BROKERAGE FIRM PROVIDED ANY SUCH ADVICE.

16. BUYER AND SELLER HEREBY WAIVE AND RELEASE BROKERAGE FIRM FROM ANY AND ALL CLAIMS THAT MAY ARISE UNDER OR IN CONNECTION WITH THE NOTE AND MORTGAGE, AND AGREE TO INDEMNIFY, DEFEND AND HOLD BROKERAGE FIRM AGAINST AND SUCH CLAIMS.

17. **DISCLAIMER:** BUYER ACKNOWLEDGES RECEIVING FINANCING FROM THE SELLER IN THIS TRANSACTION AND GRANTING THE SELLER A MORTGAGE. THIS CAN HAVE SERIOUS CONSEQUENCES SHOULD BUYER FAIL TO MAKE ANY PAYMENTS INCLUDING BUT NOT LIMITED TO FORECLOSURE AND THE LOSS OF BUYER'S PROPERTY. THEREFORE, IT IS IMPORTANT THAT BUYER UNDERSTANDS ALL FINANCING TERMS AND OBLIGATIONS AND OBTAINS PROFESSIONAL EXPERT ADVICE TO THE EXTENT NECESSARY TO ENSURE BUYER IS FULLY ADVISED IN THIS MATTER. BUYER AGREES THAT BUYER HAS NOT RELIED ON BROKERAGE FIRM FOR ANY SUCH INFORMATION NOR HAS BROKERAGE FIRM PROVIDED ANY SUCH ADVICE.

---

**BUYER'S INITIALS & DATE**

Buyer and Seller acknowledge that they have read, understand and agree to the terms and conditions of this PURCHASE MONEY MORTGAGE ADDENDUM.

Buyer \_\_\_\_\_ Date \_\_\_\_\_

Title \_\_\_\_\_

Seller \_\_\_\_\_ Date \_\_\_\_\_

Title \_\_\_\_\_

Buyer \_\_\_\_\_ Date \_\_\_\_\_

Title \_\_\_\_\_

Seller \_\_\_\_\_ Date \_\_\_\_\_

Title \_\_\_\_\_

Address \_\_\_\_\_

Phone Number \_\_\_\_\_

E-Mail Address \_\_\_\_\_

Alternate Contact Information \_\_\_\_\_

Address \_\_\_\_\_

Phone Number \_\_\_\_\_

E-Mail Address \_\_\_\_\_

Alternate Contact Information \_\_\_\_\_

**NOTE:** THERE IS NO WARRANTY ON PLAIN LANGUAGE. An effort has been made to put this agreement into plain language. But there is no promise that it is in plain language. In legal terms, THERE IS NO WARRANTY, EXPRESSED OR IMPLIED, THAT THIS AGREEMENT COMPLIES WITH CHAPTER 487A OF THE HAWAII REVISED STATUTES, AS AMENDED. This means that the Hawaii Association of REALTORS® is not liable to any Buyer, Seller, or other person who uses this form for any damages or penalty because of any violation of Chapter 487A. People are cautioned to see their own attorneys about Chapter 487A (and other laws that may apply).