

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICER AND TEACHER NEXT DOOR SALES PROGRAMS

SECOND MORTGAGE WITH SUBORDINATE NOTE

2280 Jennings Street, Gary, Lake County, Indiana 46404
(Property Address)

This Second Mortgage ("Security Instrument") is given on June 23, 2000. The Mortgagor(s) is/are DOUGLAS GARRIOTT and TRACY GARRIOTT, whose address is 6380 Vermont Street, Merrillville, Indiana 46410.

("Borrower"). This Security Instrument is given to the U.S. Department of Housing and Urban Development, which is organized and existing under the laws of the United States, and whose address is U.S. Dept. Of Housing & Urban Development, National Servicing and Loss Mitigation Center, 500 W. Main Street, Suite 400, Oklahoma City, OK 73102 ("Lender"). Borrower owes Lender the principal sum of Thirty-One Thousand Five Hundred Dollars (U.S. \$31,500.00). This debt is evidenced by Borrower's note dated the same date as this Security Instrument ("Note"), which provides for the circumstances under which the principal sum will become due and payable.

This Security Instrument secures to Lender: (a) the repayment of the debt evidenced by the Note and in accordance with the terms of the Note, and (b) the performance of Borrower's promises and agreements under this Security Instrument and the Note. For this purpose, Borrower does hereby mortgage, grant and convey to the Lender, the following described property located in Lake County:

Lots Nineteen (19) and Twenty (20), Twenty-One (21), and Twenty-Two (22), Block Four (4), Security Realty Company's First Addition to Gary, as shown in Plat Book 9, page 30, in Lake County, Indiana.

which has the address of 2280 Jennings Street, Gary, IN 46404.

("Property Address");

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, rights, appurtenances, rents, royalties, mineral, oil and gas rights and profits, water rights and stock and all fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Security Instrument. All of the foregoing is referred to in this Security Instrument as the "Property."

BORROWER PROMISES that Borrower is lawfully seized of the estate hereby conveyed and has the right to mortgage, grant and convey the Property and that the Property is unencumbered, except for encumbrances of record. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to any encumbrances of record.

*Antenberg & Associates
8050 Cleveland Pl
Merrillville, IN 46410*

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LAKELAND

1. Payment of Principal and Interest. Borrower shall pay, when due and payable, the principal sum of the debt evidenced by the Note according to the terms of the Note.

2. Occupancy. Borrower shall own and occupy, establish and use the Property as Borrower's sole residence and shall continue to occupy the Property as Borrower's sole residence for at least three years after the first day of occupancy, which shall be no later than July 23, 2000 and ending June 23, 2003.

3. Fees. Lender may collect fees and charges authorized by the Note.

4. Grounds for Acceleration of Debt. Lender may require immediate payment in full of all sums secured by this Security Instrument as evidenced by the Note after any default by the Borrower occurs as described in paragraph S of the Note.

5. Foreclosure Procedure. If Lender requires immediate payment in full under Paragraph 4 above, Lender may invoke the power of sale and any other remedies permitted by applicable law. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this paragraph 5, including but not limited to, reasonable attorney's fees and costs of title evidence.

If Lender invokes the power of sale, Lender shall give notice to Borrower in the manner provided in paragraph 7 below. Lender shall publish and post the notice of sale, and the Property shall be sold in the manner prescribed by applicable law. Lender or its designee may purchase the property at any sale. The proceeds of the sale shall be applied in the following order: (a) to all expenses of the sale, including but not limited to, reasonable attorney's fees; (b) to all sums secured by this Security Instrument as evidenced by the Note; and (c) any excess to the person or persons legally entitled to it.

If the Lender's interest in this Security Instrument is held by the Secretary and the Secretary requires immediate payment in full under Paragraph 4, the Secretary may invoke the non-judicial power of sale provided in the Single Family Mortgage Foreclosure Act of 1994 ("Act") (12 U.S.C. 3751 et seq.) by requesting a foreclosure commissioner designated under the Act to commence foreclosure and to sell the Property as provided in the Act. Nothing in the preceding sentence shall deprive the Secretary of any rights otherwise available to a Lender under this Paragraph S or applicable law.

6. Joint and Several Liability; Co-Signers. Borrower's promises and agreements shall be joint and several. Any law enforcement officer or teacher who co-signs this Security Instrument is a Borrower under this Security Instrument and is fully and personally obligated to keep all promises and agreements made in this Security Instrument. Any law enforcement officer or teacher who co-signs the Note is fully and personally obligated to keep all promises and agreements made in this Security Instrument and the Note.

Any Borrower, who is not a law enforcement officer or teacher, is not obligated to co-sign the Note and is not obligated to live in the Property as his or her sole residence for three years.

Any Borrower, who is not a law enforcement officer or teacher and who co-signs this Security Instrument, but does not execute the Note is: (a) co-signing this Security Instrument only to mortgage, grant and convey that Borrower's interest in the Property under the terms of this Security Instrument; (b) not personally obligated to pay the sums secured by the Security Instrument as evidenced by the Note; (c) not obligated to live in

the Property as his or her sole residence for three years; and (d) agrees that Lender and any other Borrower may agree to make any accommodations with regard to the terms of this Security Instrument or the Note without that Borrowers consent.

7. Notices. Any notice that must be given to Borrower under this Security Instrument will be given by delivering it or by mailing it by first class mail to Borrower at the Property address above, or at a different address, if Borrower gives the Lender a written notice of a different address, in the case of Borrower's default.

Any notice that may be given to the Lender under this Security Instrument will be given by mailing it first class mail to the Lender at the address stated above or at a different address, if Borrower is given notice of that different address.

8. Governing Law; Severability. This Security Instrument shall be governed by Federal Law. In the event that any provision or clause of this Security Instrument or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Security Instrument or the Note which can be given effect without the conflicting provision. To this end the provisions of this Security Instrument and the Note are declared to be severable.

9. Borrower's Copy. Borrower shall be given one conformed copy of this Security Instrument.

BY SIGNING BELOW, Borrower accepts and agrees to the terms of this Security Instrument.

Witnesses:

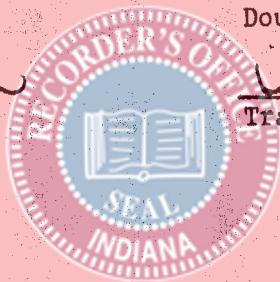
Lisa M. Matson
Lisa M Matson

Donna Robinson
Donna Robinson

Borrowers:

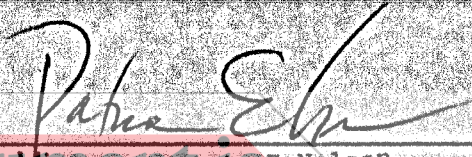
Douglas Garriott
Douglas Garriott

Tracy Garriott
Tracy Garriott



STATE OF INDIANA)
COUNTY OF LAKE) SS:

Before me, the undersigned, a Notary Public in and for said County and State, this 23rd day of June, 2000, personally appeared DOUGLAS GARRIOTT and TRACY GARRIOTT and acknowledged the execution of the foregoing document to be his/her voluntary act.
WITNESS MY HAND AND NOTARIAL SEAL

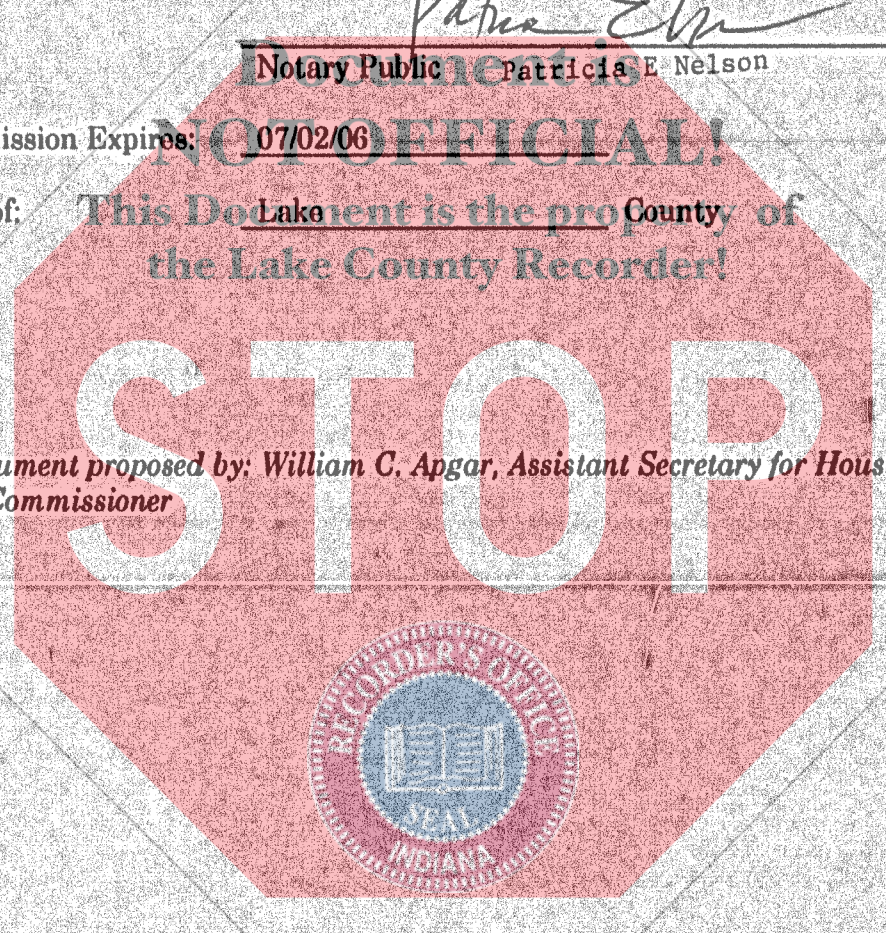


Notary Public Patricia E. Nelson

My Commission Expires: 07/02/06

Resident of: Lake County of
the Lake County Recorder!

This instrument proposed by: William C. Apgar, Assistant Secretary for Housing, Federal Housing Commissioner



**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FHA OFFICER AND TEACHER NEXT DOOR SALES
PROGRAMS**

SUBORDINATE NOTE

\$31,500.00

June 23, 2000

Document is NOT OFFICIAL!
2280 Jennings Street, Gary, Lake County, Indiana 46404
(Property Address)

This Document is the property of Recorder!

1. BORROWER'S PROMISE TO PAY

(a) In return for a loan (the "Loan") that I have received, I promise to pay U.S. Thirty-One Thousand Five Hundred Dollars (this amount is called "principal"), plus interest, to the order of the Lender. The initial principal balance under this Note is the difference between the list price of the Property and the discounted sales price.

(b) The "Lender" is the U.S. Department of Housing and Urban Development. I understand that the "Lender" may transfer this Note. The Lender or anyone who takes this Note by transfer and who is entitled to receive payments under this Note is called the "Note Holder."

2. INTEREST

I will have no obligation to pay interest on the principal of this Note unless I am in default under paragraph 5, in which case I will pay interest at the United States Treasury's current value of funds rate in effect on the date upon which I am in default

3. PAYMENTS

(a) No regular monthly payments will be due under this Note.

(b) The principal balance of the loan will be reduced over the three-year, owner-occupancy period, commencing upon execution of this Note, according to the following schedule:

(i) On any date after June 23, 2000 and before June 23, 2001, the principal balance of the Note shall be 90% of the initial principal balance.

(ii) On any date on or after June 23, 2001 and before June 23, 2002, the principal balance of the Note shall be 60% of the initial principal balance.

(iii) On any date on or after June 23, 2002 and before June 23, 2003, the principal balance of the Note shall be 30% of the initial principal balance.

(iv) On June 23, 2003, the principal balance of the Note shall be zero.

(c) The principal balance of the Note will be due and payable after any default described in paragraph 5 of this Note.

(d) I will send any amount that becomes due and payable under this Note to the Note Holder at U.S. Dept. Of Housing & Urban Development, National Servicing and Loss Mitigation Center, 500 W. Main Street, Suite 400, Oklahoma City, OK 73102 or at a different address, if I am given notice of that different address.

4. OWNER-OCCUPANCY TERM

I agree to own and live in the Property as my sole residence for a term of not less than three years, commencing no later than July 23, 2000 and ending on June 23, 2003.

5. BORROWER'S FAILURE TO PAY AS REQUIRED

Default

I will be in default if:

(a) I cease to occupy the Property as my sole residence prior to the end of the three-year, owner-occupancy term referred to in paragraph 4 of this Note, unless the Note Holder expressly elects in writing to waive this requirement for a specified period based on an evaluation of the relevant facts and circumstances; or

(b) The Property is sold or transferred prior to the three-year, owner-occupancy term referred to in paragraph 4 of this Note, without the prior written consent of the Note Holder; or

(c) I violate any condition of the first or second mortgages that I executed in connection with the purchase of the Property through the Officer or Teacher Next Door Sales Program, whichever is applicable; or

(d) I violate any condition of the Officer or Teacher Next Door Sales Program, whichever is applicable, or fail to fulfill any requirements or continuing obligations under the Program or under applicable regulations issued by HUD.

(e) I falsely certify or fail to certify that I am occupying or will occupy the Property as my sole place of residence for the three-year, owner-occupancy term.

(f) I gave materially false or inaccurate information or statement to Lender (or failed to provide Lender with any material information) in connection with the second mortgage evidenced by this Note or in connection with the first mortgage and note, including but not limited to, representations concerning my occupancy of the Property as a sole residence.

6. NOTICE OF DEFAULT/ACCELERATION OF DEBT

If I am in default under paragraph 5, the Note Holder may send me a written notice telling me that if I do not cure the default by a certain date, the Note Holder may require me to pay immediately the full amount of the outstanding principal balance due under this Note. The date of cure must be no later than 30 days after the date on which the notice is delivered or mailed to me.

7. NO WAIVER BY NOTE HOLDER

Even if, at a time when I am in default, the Note Holder does not require me to pay immediately in full and/or perform as described above, the Note Holder will still have the right to do so if I am in default at a later time.

8. PAYMENT OF NOTE HOLDER'S COSTS AND EXPENSES

If the Note Holder has required me to pay immediately in full and/or perform as described above, the Note Holder will have the right to be paid back by me for all of its Costs and expenses in enforcing this Note and its other rights to the extent not prohibited by applicable law. These expenses may include reasonable attorney's fees.

9. GIVING OF NOTICES

(a) Any notice that must be given to me under this Note will be given by delivering it or by mailing it by first class mail to me at the Property address above, or at a different address, if I give the Note Holder a written notice of my different address.

(b) Any notice that may be given to the Note Holder under this Note will be given by mailing it by first class mail to the Note Holder at the address stated in paragraph 3(d) above or at a different address, if I am given notice of that different address.

10. OBLIGATIONS OF PERSONS UNDER THIS NOTE

If more than one law enforcement officer or teacher signs this Note, each officer or teacher is fully and personally obligated to keep all promises made in this Note, including the promise to pay the full amount owed. Any officer or teacher who is a guarantor, surety or endorser of this Note is also obligated to do these things. Any officer or teacher who takes over these obligations, including the obligations of a guarantor, surety or endorser of this Note, is also obligated to keep all of the promises made in this Note. The Note Holder may enforce its rights, under this Note against each officer or teacher individually or against all of us together. This means that any one of us may be required to pay all of the amounts owed under this Note.

11. WAIVERS

I and any other person who has obligations under this Note waive the rights of presentment and notice of dishonor. "Presentment" means the right to require the Note Holder to demand payment of amounts due. "Notice of dishonor" means the right to require the Note Holder to give notice to other persons that amounts due have not been paid.

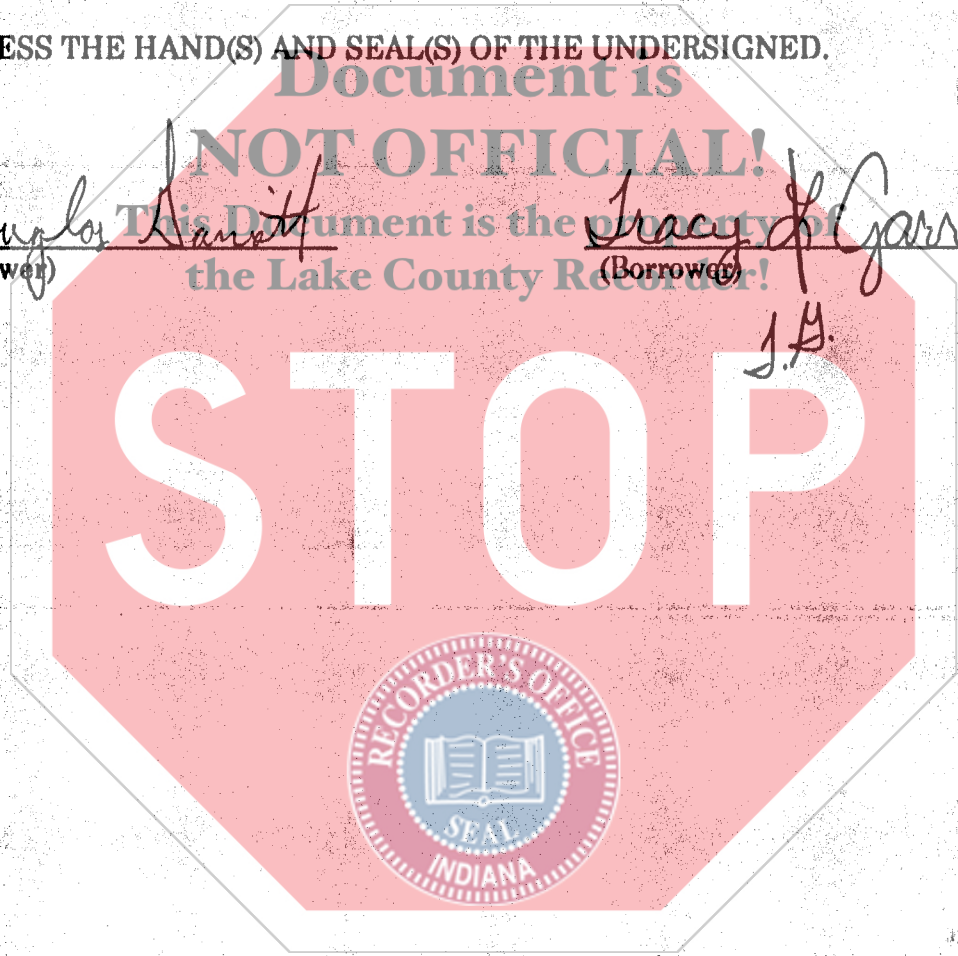
12. GOVERNING LAW; SEVERABILITY

This Security Instrument shall be governed by Federal Law. In the event that any provision or clause of this Security Instrument or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Security Instrument or the Note which can be given effect without the conflicting provision. To this end the provisions of this Security Instrument and the Note are declared to be severable. If any provision of this Note, or the application thereof to any person place or circumstance, shall be held by a court of competent jurisdiction to be invalid, unenforceable or void, the remainder of this Note and such provisions as applied to other persons, places and circumstances shall remain in full force and effect.

WITNESS THE HAND(S) AND SEAL(S) OF THE UNDERSIGNED.

Douglas Danitt
(Borrower)

Tracy H. Garritt
(Borrower)



STATE OF INDIANA
COUNTY OF LAKE

)
) SS:

Before me, the undersigned, a Notary Public in and for said County and State, this 23RD day of June, 2000, personally appeared DOUGLAS GARRIOTT and TRACY GARRIOTT and acknowledged the execution of the foregoing document to be his/her voluntary act.
WITNESS MY HAND AND NOTARIAL SEAL

Patricia E Nelson
Notary Public Patricia E Nelson

My Commission Expires: 07/02/06

Resident of: LAKE County

This instrument proposed by: William C. Apgar, Assistant Secretary for Housing, Federal Housing Commissioner.

Record & Return to: Unterberg & Associates, P.C.
8050 Cleveland Place
Merrillville, Indiana 46410
File No.: H10473