

OHIO HOUSING FINANCE AGENCY

PROGRAM ORIGINATION GUIDELINES

MARKET RATE FIRST TIME HOMEBUYER

PROGRAM

**OHIO HOUSING FINANCE AGENCY
PROGRAM ORIGINATION GUIDELINES**

*MARKET RATE FIRST TIME
HOMEBUYER PROGRAM*

DEFINITIONS

The following terms, as used herein, shall have the following meanings with respect to Agency's Market Rate First Time Homebuyer Program:

"Agency" means the Ohio Housing Finance Agency.

"Agreement" means the Mortgage Origination and Sale Agreements entered into by each Participant, including all exhibits, appendices and attachments, as amended from time to time and, collectively, means all such Mortgage Origination and Sale Agreements.

"Allowable Charges" means fees charged by the Participant that are reasonable and customary, with the exclusion of fees delineated by Agency as unacceptable.

"Annualized Gross Income" means the gross monthly family income of Mortgagor (which in the case of cohabiting adults shall relate to both or all) as shown on the Family Income Affidavit and Certification included in the Lender Guide multiplied by twelve.

"Assignment of Mortgage Note and Mortgage" means an instrument substantially in the form included in the Lender Guide, completed and executed by a Participant, in recordable form, and pursuant to which a Participant assigns and delivers the related Mortgage and endorses the Mortgage Note to Servicer.

"Borrower Affidavits" means the form of Mortgagor's Affidavit and Certification, included in the Lender Guide, on which each prospective Mortgagor must certify, among other things, the amount of his and/or her Family Income, that he/she is a First Time Homebuyer, the Purchase Price of the Residence and that the Residence is an Eligible Property.

"Business Day" means any day of the week other than Saturday, Sunday, a day which shall be in the State a legal holiday or a day on which banking institutions are authorized or obligated by law or executive order to close.

"Certificate" means a GNMA Certificate, a Fannie Mae Certificate or a Freddie Mac Certificate, as applicable.

"Code" means the Internal Revenue Code of 1986, as amended, and any rules or regulations promulgated thereunder.

"Commitment Letter" means a commitment letter issued by Agency to a Participant approving the Commitment Submission and the Mortgage Loan.

“Commitment Submission” means a package that must be submitted to Agency for approval as a precondition to the closing of a Mortgage Loan, which package shall contain the documents specified in the Lender Guide.

“Custodian” means the financial institution appointed as such, or any successor custodian appointed by Agency.

“Down Payment Assistance” means additional financial assistance provided through Agency for down payment, closing costs and pre-paid expenses directly related to the purchase of a home through Agency’s Market Rate First Time Homebuyer Program. Assistance can be in the form of a Grant or a Second Mortgage Loan, in accordance with the Term Sheet as applicable.

“Eligible Borrower” means a person or persons and families who meet the requirements set forth in the Lender Guide.

“Eligible Property” means a qualified property as defined in the Lender Guide and Term Sheet. The Eligible Property must be occupied and used as the principal residence within sixty (60) days after the date of Mortgage Loan closing. The residence may not be used as an investment property, vacation home, or recreational home. No more than fifteen percent (15%) of the area of the residence will be used in a trade or business, and the land acquired in connection with the Mortgage Loan may not exceed two (2) acres within incorporated areas and five (5) acres within unincorporated areas. Property in excess of two (2) acres may not be subdivided unless required by local health or safety code(s).

“Family Income” means the household income of a Mortgagor(s) and any other persons eighteen (18) years and older living in the property as determined in accordance with the Lender Guide. The Family Income limit, as established by HUD may be adjusted from time to time by Agency.

“Fannie Mae” means the Federal National Mortgage Association, a federally chartered corporation organized and existing under the Federal National Mortgage Association Charter Act and any successor to its functions.

“Fannie Mae Certificate” means a certificate or other mortgage-backed security purchased by Custodian, issued or otherwise acquired by Servicer from Fannie Mae in exchange for pools of Mortgage Loans.

“Fannie Mae Guide” means the Fannie Mae Selling and Servicing Guides, as amended from time to time, as modified by the Pool Purchase Contract.

“Fannie Mae Pool” means the assemblage of Mortgage Loans backing the issuance of Fannie Mae Certificates.

“Fees” means the fees specified in the Lender Guide and Term Sheet which are assessed by Agency and Servicer to Participants.

“FHA” means the Federal Housing Administration of the United States Department of Housing and Urban Development, or other Agency or instrumentality created or chartered by the

United States to which the powers of the Federal Housing Administration have been transferred.

“FHA Guidelines” means all FHA rules and regulations which are applicable to qualified FHA Mortgage Loans.

“FHA Insurance” means FHA mortgage insurance for Residential Housing pursuant to the National Housing Act.

“FHA Insured” means insured under FHA Insurance.

“FHA Mortgage Loans” means Mortgage Loans which are FHA Insured.

“First Time Homebuyer” means a Mortgagor who has not had an ownership interest in a principal residence at any time during the three (3) year period ending on the date the Mortgage is executed.

“First Time Homebuyer Exception” means, as authorized by Section 143(d) (2) of the Code, exceptions to the First Time Homebuyer requirement for financings relating to (i) a residence located in a Target Area, (ii) certain contract for deed arrangements, (iii) Qualified Veterans and (iv) any other situation as approved in writing by bond counsel.

“Freddie Mac” means the Federal Home Loan Mortgage Corporation, a stockholder-owned, government sponsored enterprise, created and existing under the Freddie Mac Act, and any successor thereto.

“Freddie Mac Certificate” means a certificate or other mortgage-backed security purchased by Custodian, issued or otherwise acquired by Servicer from Freddie Mac in exchange for pools of Mortgage Loans.

“Freddie Mac Guide” means the Single-Family Seller/Servicer Guide, as amended from time to time.

“Freddie Mac Pool” means the assemblage of Mortgage Loans backing the issuance of Freddie Mac Certificates.

“GNMA” means the Government National Mortgage Association, a wholly owned corporate instrumentality of the United States of America within the Department of Housing and Urban Development; its powers are prescribed generally by Title III of the National Housing Act of 1934, as amended (12 U.S.C. §§1716 et seq.).

“GNMA Certificate” means a custom pool, fully modified mortgage backed GNMA I Security (or electronically transmitted confirmation thereof) representing Mortgage Loans, issued by Servicer, registered in the name of Custodian, guaranteed by GNMA as to timely payment of principal and interest pursuant to Section 306(g) of Title III of the National Housing Act of 1934, as amended, and the regulations promulgated thereunder and backed by FHA Mortgage Loans, VA Guaranteed Mortgage Loans or RHS Guaranteed Mortgage Loans. In the event GNMA so requires, pursuant to GNMA’s book entry system, in lieu of the aforesaid certificate, the confirmation of GNMA’s guaranty obligation shall be transmitted to

Custodian, or its nominee, electronically.

“GNMA Guaranty Agreement” means a Commitment to Guarantee Mortgage-Backed Securities (Form HUD 11704) from GNMA to Servicer relating to the Market Rate First Time Homebuyer Program.

“GNMA Guide” means the GNMA Mortgage-Backed Securities Guide in effect on the date of execution of the GNMA Guaranty Agreement.

“GNMA’s Custodian” means a financial institution designated by Servicer in accordance with GNMA’s requirements.

“Grant” means a type of Down Payment Assistance for an Eligible Borrower. It is a grant of moneys equal to a specified amount of the Purchase Price as set forth in the Term Sheet.

“HUD” means the Department of Housing and Urban Development of the United States of America or any successor Agency thereto.

“Lender Guide” means collectively, the documents, agreements and regulations in effect from time to time relating to the issuance of the Mortgage Loans, the sale of such Mortgage Loans to Servicer and the securitization of such Mortgage Loans into Certificates, which documents, agreements and regulations include, but are not limited to, the Program Origination Guidelines (including the Term Sheet referenced therein and found on Agency’s Lender Online system), the Standards and the various forms and certificates required to be used in connection with the First Time Homebuyer Program. All of the documents referred to collectively as the Lender Guide are available on the Agency’s Lender On-Line System.

“Market Rate First Time Homebuyer Program” means Agency’s program of financing Mortgage Loans as contemplated by these Program Origination Guidelines.

“Maximum Purchase Price” means the amounts as may be published and effective from time to time by the Agency as the Maximum Purchase Price limits for the statistical area in which a Residence is located and as set forth on the Agency’s website at www.ohiohome.org.

“MI Coverage” means private mortgage insurance issued by the Mortgage Insurer in an amount and consisting of terms permitted under the (i) Fannie Mae Guide, with respect to conventional Mortgage Loans pooled to back Fannie Mae Certificates and (ii) Freddie Mac Guide, with respect to conventional Mortgage Loans pooled to back Freddie Mac Certificates.

“Mortgage” means the written instrument securing the related Mortgage Loan and encumbering a Residence, which instrument shall be in the form required by FHA for FHA Insured Mortgages, VA for VA Guaranteed Mortgage Loans, USDA-RD for USDA-RD Guaranteed Mortgage Loans, Fannie Mae for conventional Mortgage Loans or Freddie Mac for conventional Mortgage Loans with such modifications as may be required by the terms (particularly the restriction on assumptions).

“Mortgage File” means all documents required for each specific loan to be delivered to Servicer as a condition of a purchase of a Mortgage Loan.

“Mortgage Insurer” means any private mortgage insurance company providing Private Mortgage Guaranty Insurance on Conventional Mortgage Loans, which private mortgage insurance company is approved by Fannie Mae, with respect to Conventional Mortgage Loans pooled to back Fannie Mae Certificates or Freddie Mac, with respect to Conventional Mortgage Loans pooled to back Freddie Mac Certificates.

“Mortgage Loan” means a permanent loan evidenced by a Mortgage Note that is secured by either a Mortgage or a Second Mortgage made to an Eligible Borrower by a Participant.

“Mortgage Loan Documents” means documents contained in the Mortgage File.

“Mortgage Loan Purchase Price” means the Participant compensation which represents the Service Release Premium.

“Mortgage Note” means the promissory note evidencing the obligation to repay a Mortgage Loan which shall be in a form approved by FHA, VA, USDA-RD, Fannie Mae or FreddieMac, as applicable, with such modification as may be required by the terms hereof.

“Mortgagor” means a maker or makers of or any other party obligated on a Mortgage

“Non-Qualifying Mortgage Loan” means any Mortgage Loan that does not comply with the Lender Guide and Term Sheet on the Market Rate First Time Homebuyer Program and the Agreement as in effect at the time the Mortgage Loan was originated.

“Notice Address” means:

- (a) As to Agency: 57 East Main Street,
Columbus, Ohio 43215-5115
Attn: Office of Home Ownership
- (b) As to Participant, the address shown on the Participant Information Form.
- (c) As to Servicer: U. S. Bank Home Mortgage – MRBP
Division
17500 Rockside Road
Bedford, Ohio 44146
Attn: Client Support Executive
- (d) As to Custodian The Huntington National Bank
The Huntington Center
Columbus, Ohio 43287 Marquette

“OHFA Rate Sheet” means a notice posted by Agency on Agency’s website and/or the Lender OnLine System, as amended from time to time. Each OHFA Rate Sheet shall be a supplement to these Program Origination Guidelines setting forth the conditions and terms of the Mortgage Loans to be originated under the Market Rate First Time Homebuyer Program.

“Participant” means banks, trust companies, mortgage companies, savings and loan associations, mortgage bankers, national banking associations, savings banks, building and loan associations, credit unions and other lending institutions authorized to make Mortgage Loans in the State and deemed eligible by Agency to participate in the Market Rate First Time Home Buyer Program to the extent permitted by law and the Program Origination Guidelines of Agency. Participant may utilize correspondent relationships in originating Mortgage Loans; however, all documentation must be in the name of and submitted by Participant.

“Participating Lender Agreement” means the agreement signed between the Servicer and each Participant as to the terms and conditions under which the Servicer will purchase a Mortgage Loan from a Participant and the duties, obligations, representations, warranties, and covenants of the Participant to the Servicer.

“Pool” means with respect to a Certificate, the pool of Qualified Mortgage Loans the beneficial ownership of which is represented by such Certificate.

“Pool Documentation Package” means those documents as required by Servicer.

“Pool Purchase Contract” means, collectively, the Master Agreement and Contract and the various Fannie Mae Pool Purchase Contracts issued under the Master Agreement and Contract, each between Servicer and Fannie Mae relating to the sale by Servicer of Qualified Mortgage Loans to Fannie Mae and the servicing thereof.

“Program Origination Guidelines” means the applicable guidelines established by Agency relating to the issuance of the Mortgage Loans, which Program Origination Guidelines may be amended from time to time by the Agency.

“Purchase” means the purchase of a Mortgage Loan from Participant by Servicer.

“Purchase Date” means the date on which a Mortgage Loan is purchased by Servicer as provided in the Lender Guide and shall occur on a Business Day.

“Purchase Price” means the cost of acquiring a Residence from the seller as a completed residential unit, as more fully described in herein.

“Purchase Submission” means a mortgage file submitted to Agency at the time of submission of loan to Servicer for purchase and consisting of all required documents.

“Qualified Census Tracts” means those areas within the State which are described in the Lender Guide.

“Qualified Condominium Unit” means a condominium unit meeting the requirements of FHA and which is eligible for FHA Insurance, the requirements of the Fannie Mae Guide or the requirements of the Freddie Mac Guide, as applicable.

“Qualified Veteran” means any veteran who has received an honorable discharge from the United States military.

“Residential Housing” or **“Residence”** means a one to four unit owner occupied dwelling located within the State that qualifies for financing by Agency.

“Second Mortgage Loan” means a subordinate mortgage loan issued to secure an Eligible Borrower’s repayment obligation under the Second Mortgage Loan Product, as set forth in the Term Sheet.

“Second Mortgage Loan Documents” means the documents required in connection with the issuance of a Second Mortgage Loan and as set forth in the Lender Guide.

“Service Release Premium” means income paid to the Participant when a Mortgage Loan is sold to Servicer.

“Servicer” means entity appointed to purchase and service all or a portion of the Mortgage Loans.

“Servicing Agreement” means the Servicing Agreement between Agency and Servicer.

“Servicer Officer” means any officer of Servicer involved in, or responsible for, the administration and servicing of the Mortgage Loans, whose name appears on a list of servicing officers furnished to Agency, as such list may be amended.

“Single-Family Seller/Servicer Guide” means the policies relating to the servicing of Conventional Mortgage Loans pooled to back Fannie Mae and Freddie Mac Certificates.

“Standards” means, collectively, the standard Agency regulations as established and amended from time to time by Fannie Mae, Freddie Mac, GNMA, FHA, VA, USDA-RD, and any other federal Agency providing insurance for or guarantees of Mortgage Loans.

“Submission Date” means the date established by Servicer for receiving the Mortgage Loan File from Participants.

“Supplemental Indenture” means any indenture supplemental to or amendatory of the Indenture, entered into by Agency in accordance with the Indenture.

“State” means the State of Ohio.

“Target Area” means one of the areas within the State listed as Qualified Census Tracts and Areas of Chronic Economic Distress.

“Term Sheet” mean documents created by Agency and Servicer providing information for the various products used with the Market Rate First Time Home Buyer Program.

“USDA-RD” means the United States Department of Agriculture Rural Development, or any successor thereto (formerly “FmHA” or “RHCDS” or “RHS”).

“USDA-RD Guaranty” means guaranty of a Mortgage Loan by USDA-RD under Title V of the Housing Act of 1949.

“VA” means the Department of Veterans Affairs of the United States of America or any successor thereto.

“VA Guaranty” means a guaranty of a Mortgage Loan by the VA under the Serviceman’s Readjustment Act of 1944, as amended.

**ARTICLE I.
MORTGAGE LOAN ORIGINATION**

SECTION 1.01 Reservations; Submissions; and Closing.

(a) Procedures. Participants shall follow the Lender Guide as may be amended from time to time to reserve, submit, and close loans.

(b) Reservations. As potential Eligible Borrowers make applications for Mortgage Loans, Participants shall make a reservation from the Agency's Lender OnLine reservation system in an amount equal to the anticipated principal amount of the Mortgage Loan (including the amount of any Down Payment Assistance requested).

(c) Mortgage Note and Mortgage. The delivery of the original executed Mortgage Note and the certified copy of the related Mortgage to Servicer shall be as set forth in the Term Sheet.

SECTION 1.02 Down Payment Assistance. Resources may be available to Eligible Borrowers to provide financial assistance through a Grant or Second Mortgage Loan. The Eligible Borrower may request financial assistance at the time of application and it shall be used for the sole purpose of paying for the items described in the Term Sheet and may not use such amounts for any other purpose.

SECTION 1.03 Delivery Periods. All Mortgage Loans must be closed and delivered by Participants to Servicer no later than the periods described on Agency's Lender OnLine reservation system and in the OHFA Rate Sheet and/or Term Sheet, if applicable.

SECTION 1.04 Repurchase of Mortgage Loans. As described in the Agreement, any non-qualifying Mortgage Loan purchased by Servicer must be repurchased by Participant originating such Mortgage Loan at a repurchase price described in Article V. of the Agreement.

SECTION 1.05 Independent Verifications by Participant. Participant must undertake reasonable investigations (and such investigations and requirements will be reviewed by Agency) to determine with respect to each Mortgage that:

(a) Each Mortgagor is a First Time Homebuyer, unless the financing is eligible for a First Time Homebuyer Exception. Participant shall obtain from each Mortgagor, and in the case of cohabiting adults from each and every such person, copies of the signed tax returns which were filed with the Internal Revenue Service for the preceding three years and shall examine each return to determine whether the Mortgagor has claimed a deduction for taxes on real property which was the Mortgagor's principal residence pursuant to Section 164(a)(1) of the Code or a deduction pursuant to Section 163 of the Code for interest paid on a mortgage secured by real property which was the Mortgagor's principal residence. If such a deduction was claimed, Participant must make additional investigations. The federal income tax return examination and Mortgagor's Certification will satisfy the reasonable investigation requirement. If the Mortgagor did not retain signed copies of federal income tax returns, the Mortgagor must submit a written request (Form 4506) to the Internal Revenue Service; (1) If the Mortgagor filed a Form 1040, the request must be for copies of the tax returns; or (2) If the Mortgagor filed

a Form 1040A or 1040EZ, the request may be for a letter from the Internal Revenue Service (Form 1722) stating that the Mortgagor filed a Form 1040A or 1040EZ for the years in question. The words “Form 1040A [or Form 1040EZ] Notification Requested” should be written across the top of the form. A statement should be included in the appropriate items on the form indicating that a letter verifying filing of Form 1040A or Form 1040EZ is requested rather than a photocopy of the Form 1040A or Form 1040EZ. If the Mortgagor did not file federal income tax returns for any year, the Mortgagor must execute an affidavit and certification to that effect (paragraph E of the Mortgagor’s Certification, provided in the Lender Guide satisfies such requirement).

(b) The Purchase Price is correct. Participant must require affidavits of both Mortgagor and seller regarding the Purchase Price. The Purchase Price of the Residence may not exceed the applicable Maximum Purchase Price.

(c) The Family Income of all prospective adult residents is correct. Participant must require the Mortgagor and all other adult prospective residents to verify the completeness of the Family Income Certificate provided in the Lender Guide and Term Sheet.

SECTION 1.06 No Discrimination. Participant will consider all Mortgage Loan applications in the order in which they are received on a first-come, first-served basis, will not arbitrarily reject a Mortgage Loan application because of the location and/or age of the property and will consider all Mortgage Loan applications regardless of race, color, ancestry, national origin, religion, sex, familial status (including but not limited to children under the age of eighteen (18) living with parents of legal custodians, pregnant women and people securing custody of children under the age of eighteen (18) or physical disability of a Mortgage Loan applicant. No Participant shall enter into any agreement or arrangement with any person, firm or corporation to prefer any applicant or group of applicants for Mortgage Loans over any other applicant or group of applicants for such Mortgage Loans without the express approval of the Agency, nor may applications for such loans be accepted for processing or arrangements for the acceptance or handling of such applications be made prior to the date of receipt of Agency’s written approval thereof. In accepting, evaluating and acting upon such applications, Participant shall comply, if applicable, with the Federal Equal Credit Opportunity Act and Regulation B promulgated thereunder and any other applicable laws.

SECTION 1.07 Purchase Price of Residence Guidelines.

Participant agrees, acknowledges and understands that the Purchase Price of a Residence is the cost of acquiring the Residence from the seller as a completed residential unit, unless the loan is identified as a rehabilitation product.

- (a) The borrower may not agree to pay or assume liability for a debt of the seller which survives the sale.
- (b) In the case of new construction, the borrower may include the cost of land which has been owned by the Mortgagor for at least two years prior to the date on which construction of the Residence began provided the total cost of the land and improvements do not exceed the maximum purchase price limit.

**ARTICLE II.
MORTGAGE LOAN PURCHASE AND SALE**

SECTION 2.01 **Purchase and Sale of Mortgage Loans.** Servicer shall purchase each Mortgage Loan delivered by a Participant on the Purchase Date provided that: (a) the Mortgage Loan is in compliance with all the terms and conditions of the Lender Guide and Term Sheet; (b) the Purchase Submission has been approved by the Agency; (c) the Mortgage File and other documents have been approved by Servicer; and (d) all of the other conditions of the Lender Guide and Term Sheet have been fulfilled.

SECTION 2.02 **Maintenance of Mortgage Files.** Servicer shall, at its own expense, maintain the Mortgage File with respect to each Mortgage Loan. Each Mortgage File shall be maintained by Servicer for the longer of the period required by law, or by the Standards. The Mortgage Files shall be kept at Servicer's regular place of business in the State or at its principal place of business and shall be available for inspection by Agency or Custodian at such reasonable times and in such reasonable manner as Agency or Custodian shall determine.

**ARTICLE III.
PAYMENT FOR MORTGAGE LOANS, FEES,
SERVICE RELEASE PREMIUM**

SECTION 3.01 **Allowable Charges.** Participant may charge and collect reasonable and customary Fees from Mortgagor to the extent permitted by FHA, VA, USDA-RD, Fannie Mae or Freddie Mac, with the exception of certain fees disqualified by Agency and found in the Term Sheet. Allowable charges shall not in any event exceed the applicable FHA, Fannie Mae or Freddie Mac limits. In addition, Participant may collect the Fees from Mortgagor and all reasonable and customary out-of-pocket costs permitted by law paid or incurred by Participant, including, but not limited to, settlement fees, document preparation fees, hazard insurance premiums, survey, title insurance premiums, appraisal fees, attorneys' fees, documentary and intangible taxes, recording or registration taxes and charges, credit reports, escrow fees and similar charges. Such Fees and expenses may be collected only once in connection with the origination of the Mortgage Loan and shall not exceed limits established from time to time by federal or state law and in any event may not exceed like amounts charged in such area in cases where owner financing is not provided through tax-exempt revenue bonds, provided that Participant shall collect from the seller of the Residence that portion of the loan discount fee that may not be collected from Mortgagor due to federal or state law restrictions

SECTION 3.02 **Escrowed Funds for Taxes and Insurance.** Any amounts collected by Participant for maintenance or improvements to the property or the Residence, for the escrow of taxes or insurance not yet due or for other reserves shall be remitted to Servicer and delivered simultaneously with the submission of the Mortgage File.

SECTION 3.03 **Responsibility of Participant for Servicer/Agency Fees.** Participant assumes responsibility for collection and remittance of all Fees due and owing to Servicer and Agency, which Fees may change from time to time in the sole discretion of Agency

upon written notice to Participant, including, but not limited to, all Fees due Servicer as the servicer of the Mortgage Loan as shown on the HUD-1 Settlement Statement for each Mortgage Loan. Participant shall release to and for the benefit of Servicer, all servicing rights and all rights to receive servicing fees and other servicing-related income and benefits with respect to each Mortgage Loan.

SECTION 3.04 Necessary Actions. In the event that any action required by Participant in connection with the servicing, securing or foreclosure of any Mortgage Loan shall not be timely performed by Participant, and the continuance of any such nonaction, in the opinion of Agency or Servicer, as the case may be, may become inimical to the best interests of Agency or Servicer, as the case may be, hereunder or to the holders of Bonds, Agency or Servicer as the case may be, shall promptly undertake such action as it deems proper or necessary in the circumstances in substitution for, and at the reasonable expense of Participant, and Participant shall be liable for and shall promptly pay to Agency or Servicer, as the case may be, all of its expenses and costs (including those of their counsel) as to such action taken by Agency or Servicer, as the case may be, in such circumstances, and Agency or Servicer, as the case may be shall not be liable to Participant on account of any such action taken by Agency or Servicer, as the case may be, in good faith and after written notice to Participant to undertake such required action.

**ARTICLE IV.
REPRESENTATIONS, WARRANTIES AND COVENANTS OF PARTICIPANT
RELATING TO MORTGAGE LOANS**

Participant hereby represents and warrants to, and covenants with, Agency, Custodian and Servicer that:

SECTION 4.01 True and Correct Information. The information set forth in each Mortgage File will be true and correct at the Purchase Date thereof, and each Mortgage Loan (including all documents in connection therewith, except the required appraisal) shall have been consummated and shall have satisfied all applicable requirements set forth in the Lender Guide and Term Sheet.

SECTION 4.02 Compliant Mortgage. Each Mortgage Loan will be made by Participant at par with origination fees not to exceed those set forth in the Term Sheet, will be secured by a Mortgage which shall constitute a first mortgage lien on the Residence occupied by the Mortgagor and will be located within the boundaries of the State, will be made in accordance with the Program Origination Guidelines and Term Sheet, as applicable and the requirements established by these Program Origination Guidelines, will have substantially level payments due the first day of each month (which payments shall include amounts for deposit in an escrow account to provide for the timely payment of taxes and insurance), will have an original term not to exceed the term set forth in the Term Sheet, will be made to an Eligible Borrower, as Mortgagor, will be made for a Residence the Purchase Price of which does not exceed the Maximum Purchase Price and will contain assumption restrictions required by these Program Origination Guidelines.

SECTION 4.03 Loan to Value Limits. The principal amount of a Mortgage Loan will not exceed any applicable loan to value limits as established by Agency in the Term Sheet,

or, if less, by FHA, VA, USDA-RD, Fannie Mae or Freddie Mac, as applicable.

SECTION 4.04 **Insured or Guaranteed Loan.** Each Mortgage Loan will be insured by FHA, guaranteed by VA or by USDA-RD and will meet all other requirements of the applicable Standards or, with respect to Mortgage Loans pooled to back Fannie Mae Certificates or Freddie Mac Certificates, meet all of the requirements of the Fannie Mae Guide or the Freddie Mac Guide, as applicable, and have mortgage insurance issued by the Mortgage Insurer, if applicable.

SECTION 4.05 **Adequate Security.** As of the Purchase Date, the Mortgage Loan will be secured by the Mortgage and will be current as to principal and interest payments due thereunder.

SECTION 4.06 **Title Policy.** As of the Purchase Date, Participant shall have in its possession with respect to the real property financed by the Mortgage Loan and secured by the Mortgage an American Land Title Association-approved mortgagee guarantee title insurance policy, binder or opinion, as required under the Standards.

SECTION 4.07 **Hazard Insurance.** As of the Purchase Date, the improvements upon the real property subject to the Mortgage Loan will be covered by a valid standard hazard insurance policy, condominium insurance and flood insurance, as applicable, and as required by the Standards.

SECTION 4.08 **No Waivers.** The terms, covenants and conditions of the Mortgage Loan shall not have been, and shall not prior to its purchase be, waived, altered, impaired or modified in any respect which would materially affect the value, validity, enforceability, prompt payment of the Mortgage Loan, or the enforceability of the lien securing the Mortgage Loan, except for such waivers, alterations and the like accomplished by Participant prior to the Purchase Date and acceptable pursuant to the Standards.

SECTION 4.09 **No Delinquencies.** As of the Purchase Date, there shall be no delinquent tax or delinquent assessment lien against the property financed by the Mortgage Loan unless permitted by the Standards.

SECTION 4.10 **No Defenses.** As of the Purchase Date, Participant shall not have done any act to create an offset, defense or counterclaim to the Mortgage Loans, including the obligation of the Mortgagor to pay the unpaid principal of and interest on the Mortgage Loan unless permitted by the Standards.

SECTION 4.11 **Recordation of Mortgage.** As of the Purchase Date, each Mortgage shall be filed and recorded in the office of the county recorder of the county in which property is located and any different or other recording that might hereafter be required by the laws of the State to perfect the lien of real estate mortgages against the adverse or competing claim of third parties by giving public notice thereof and also shall have been accomplished as required by the Standards.

SECTION 4.12 **No Liens.** As of the Purchase Date, as to each Mortgage, there shall be no liens or claims therefor outstanding for work, labor, or materials affecting the property encumbered by the Mortgage securing the Mortgage Loan that are or might be or

become liens prior to, or equal with, the lien of the Mortgage, unless the title insurance specified herein insures against such risks or unless such risks are otherwise permitted by the Standards.

SECTION 4.13 **No Physical Damage.** To the best knowledge of Participant, the physical property financed or improved by the Mortgage Loan shall be free of material damage and shall be in generally good repair on the Purchase Date.

SECTION 4.14 **Settlement Statement Compliance.** Each Mortgage Loan, at the time it shall have been made, shall have conformed to all disclosures required to be made by the Real Estate Settlement Procedures Act and the Federal Truth-in-Lending Act and all other applicable State and federal laws and regulations.

SECTION 4.15 **Usury Laws.** Each Mortgage Loan at the time it shall have been made shall have complied with applicable State and federal usury laws.

SECTION 4.16 **Title to Property.** To the best knowledge of Participant, the Mortgagor of a Mortgage Loan shall not have conveyed such Mortgagor's right, title to or interest in the property to any party.

SECTION 4.17 **No Adverse Effect.** As of the Purchase Date, Participant has no knowledge of any facts or circumstances, economic or otherwise, which may have an adverse effect on the credit of any Mortgagor, the prospect of prompt payment of any Mortgage Loan or the value of any security therefor.

SECTION 4.18 **Ability to Repay Mortgage.** Participant has reviewed applicable credit reports and related documents required in connection with any application by the potential Mortgagor to assure itself, prior to approving such application, that such potential Mortgagor has the capacity to repay the Mortgage Loan.

SECTION 4.19 **Marketability of Mortgage Loan.** As of the Purchase Date, Participant has no knowledge of any circumstances or condition with respect to the Mortgagor, the Residence, the Mortgage Loan or any related document that could reasonably be expected to cause prudent private investors in the secondary market to regard the Mortgage Loan as an unacceptable investment, or cause the Mortgage Loan to become delinquent or to adversely affect the value or the marketability of the Mortgage Loan, and Participant has no knowledge of any circumstances which would cause the invalidation or cancellation of the FHA Insurance, VA Guarantee, USDA-RD Guarantee or the Conventional MI Certificate, as applicable.

SECTION 4.20 **Fees inconsistent with Lender Guide.** In the event it is determined that additional amounts that are inconsistent with Lender Guide have been collected by a Participant, Participant, at the direction of Agency, shall credit those funds toward the Mortgage Loan.

Agency may suspend a Participant from the Market Rate First Time Homebuyer Program for repeated violations of the Lender Guide without return of any Fees paid, or to be paid, by the Participant.

SECTION 4.21 **Representations, Warranties and Covenants Survive Sale to Servicer.** It is understood and agreed that the representations, warranties and covenants set forth

in this Section shall survive the sale of the Mortgage Loans by Participant to Servicer and that the representations, warranties and covenants shall inure to the benefit of the transferees and assigns of Servicer. Upon discovery by Participant or Servicer of a breach of any of the foregoing representations, warranties and covenants which materially and adversely affects the value of any Mortgage Loan or the interest of Servicer, GNMA, Fannie Mae or Freddie Mac, as applicable, in any Mortgage Loan, the party discovering such breach shall give prompt written notice to the other. Within sixty (60) days of its discovery or its receipt of notice of breach, Participant shall cure such breach in all material respects or shall purchase, foreclose or replace the Mortgage Loan in the manner and at the purchase price set forth therein. It is understood and agreed that the obligation of Participant to purchase the Mortgage Loan as to which a breach has occurred and is continuing shall constitute the sole remedy respecting such breach available to Servicer where Participant has acted in good faith.

**ARTICLE V.
ADDITIONAL REPRESENTATIONS, WARRANTIES AND COVENANTS OF
PARTICIPANT**

Participant represents, warrants and covenants that:

SECTION 5.01 Tax-Exempt Status. Participant will not knowingly take any action or permit any action which is within its control to be taken which would impair the exemption from federal income taxation of interest on the Bonds.

SECTION 5.02 Target Areas. Participant shall use reasonable diligence to originate Mortgage Loans in Target Areas. Such reasonable diligence shall include, but is not limited to, periodic advertisements by Participant in newspapers or other media regarding the availability of mortgage funds for persons intending to purchase Residences in Target Areas.

SECTION 5.03 Occupancy Certification. Participant must ascertain, through presentation of the Mortgagor's Certification, that the Mortgagor intends to occupy the related Residence within sixty (60) days of the date the Mortgage Note is executed and thereafter intends to maintain the property as his/her principal place of residence. Participant must require the Mortgagor to execute the Mortgagor's Certification included in the Lender Guide and Term Sheet, and that the Mortgagor acknowledges that in the event that at a later date the Residence is no longer the principal place of residence that the Mortgage Note will be accelerated and due in full.

SECTION 5.04 Federal Income Tax Filing. If the Mortgagor did not file federal income tax returns for any year, Participant shall cause the Mortgagor to execute an affidavit and certification to that effect.

SECTION 5.05 Purpose of Mortgage Loan. Participant shall verify that no part of the Mortgage Loan proceeds are used to acquire or replace an existing mortgage, and the Mortgage Loan must be to persons who did not have a mortgage (whether or not paid off) on the Residence securing the Mortgage Note at any time prior to the execution of the Mortgage; except that if Agency so permits Mortgagor could have a construction period loan or similar temporary initial financing of twenty-four (24) months or less with respect to the Residence securing the Mortgage Note and can use the proceeds of the Mortgage Note to repay such financing.

Additionally, the Down payment Assistance may be used only for the purpose of paying closing costs and to assist the Mortgagor with any down payment requirements. Participant must require an affidavit of the Mortgagor that this Section has been complied with.

SECTION 5.06 Dwelling Units. The Residence contains no more than four (4) dwelling units, one of which shall be occupied by the Mortgagor. If the Residence contains two (2) or more dwelling units, Mortgagor must include rental income (seventy-five percent (75%) of gross income) as part of Family Income and Participant must determine that the Residence has been completed and occupied as a Residence at least five (5) years before the Mortgage therefor was executed.

SECTION 5.07 Eligible Borrower. Each person executing the Mortgage (not the Mortgage Note) and to whom financing is provided by the Mortgage Note must be a First Time Homebuyer, unless the financing is eligible for a First Time Homebuyer Exception. Each such person must not have had a present ownership interest in a principal Residence at any time during the three (3) year period prior to the date on which the Mortgage is executed. For purposes of the preceding sentence, the Mortgagor's interest in the Residence with respect to which the financing is being provided is not taken into account. In the event that there is more than one Mortgagor executing the Mortgage with respect to a particular residence, each of such Mortgagors must meet the three (3) year requirement. A person who is liable under the Mortgage Note secured by the Mortgage but who does not have a present ownership interest in the Residence subject to the Mortgage need not meet the three year requirement. (For example, where a parent of a home purchaser cosigns the Mortgage Note for a child, but the parent takes no interest in nor will reside in the Residence, it is not necessary that the parent meet the three (3) year requirement since the parent is not a Mortgagor of the Residence.) Examples of interests which constitute present ownership interests (and thus would result in a potential home purchaser failing to meet the First Time Homebuyer requirements) are the following:

- (i) A fee simple interest;
- (ii) A joint tenancy, a tenancy in common, or tenancy by the entirety;
- (iii) The interest of a tenant-shareholder in a cooperative;
- (iv) A life estate;
- (v) A land contract of twenty-five (25) months (i.e., a contract pursuant to which possession and the benefits and burdens of ownership are transferred although legal title is not transferred until some later time) or more;
- (vi) An interest held in trust for the Mortgagor (whether or not created by the Mortgagor) that would constitute a present ownership interest if held directly by the Mortgagor;
- (vii) A lease with an option to purchase for a nominal sum; and
- (viii) A devisee of a deceased Mortgagor who's Mortgage Loan relates to a prior Agency Program and is not located in a Target Area and who is

residing in the Residence.

SECTION 5.08 Eligible Property. Examples of interests which do not constitute present ownership interests (and thus would not result in a potential home purchaser failing to meet the First Time Homebuyer requirements) are the following:

- (i) A remainder interest;
- (ii) A lease without an option to purchase;
- (iii) A mere expectancy to inherit an interest in a principal Residence;
- (iv) The interest that a purchaser of a Residence acquires on the execution of a purchase contract; and
- (v) An interest in other than a principal Residence during the previous three years

SECTION 5.09 Residency Status. A resident alien may qualify for this Program upon submission of documentation acceptable to Agency evidencing qualification therefor.

**** END OF ARTICLE VI.****