

MORTGAGE ORIGINATION MASTER AGREEMENT

This MORTGAGE ORIGINATION MASTER AGREEMENT (the "Agreement"), dated and effective as of September 28, 2001, by and between the DELAWARE STATE HOUSING AUTHORITY, a public corporation and independent authority in the Executive Department of The State of Delaware, having its principal office in the City of Dover, State of Delaware (the "Authority") and _____ (the "Mortgage Lender").

W I T N E S S E T H:

WHEREAS, the Authority proposes, from time to time, to issue one or more series of its Single Family Mortgage Revenue Bonds (the "Bonds" as hereinafter defined) for the purpose of financing its Homeownership Loan Programs (the "Program" as hereinafter defined); and

WHEREAS, pursuant to the Act (as hereinafter defined), the Authority adopted the General Bond Resolution on September 9, 1994, and pursuant to the Act and such General Bond Resolution, the Authority has heretofore adopted one or more amendments and supplements to such General Bond Resolution and expects to adopt in the future additional amendments and supplements thereto for the issuance of Bonds and the use of the proceeds therefrom to purchase Mortgage Loans (as hereinafter defined) (each, a "Series Resolution", and together with such General Bond Resolution, the "Resolution"), and pursuant to the Resolution, the Authority shall, from time to time, select a Trustee (as hereinafter defined) pursuant to which the Trustee will be empowered to purchase on behalf and in the name of the Authority, Mortgage Loans that have been originated by Lender, subject, among other things, to the terms and conditions hereinafter set forth, and the Authority hereby declares that each Trustee so selected shall be recognized by the Authority, Lender and Trustee as a third-party beneficiary and as the Authority's fiduciary and agent in regard to all activities relating to the Mortgage Loans after they are purchased by Trustee pursuant to the terms and conditions of this Agreement, the applicable Series Resolution, and the other Program Documents (as hereinafter defined) relating to the applicable Program Installment (as hereinafter defined); and

WHEREAS, pursuant to the Resolution, the Authority shall, from time to time, select a Master Servicer (as hereinafter defined, and referred to as the "Servicer") to either purchase from Lender the Mortgage Loans that the Authority intends to have originated under the Program or service such Mortgage Loans that the Authority purchases; and the Authority does hereby declare that each Servicer so selected shall be recognized by the Authority, Lender and Trustee as a third-party beneficiary and as the Authority's fiduciary and agent in regard to all activities relating to the Mortgage Loans after they are purchased pursuant to the terms and conditions of this Agreement, the applicable Series Resolution, and the Program Documents relating to the applicable Program Installment; and

WHEREAS, to assist in effectuating the Homeownership Loan Program, the Authority and Lender have undertaken to enter into this Agreement; and

WHEREAS, the Authority and Lender desire to set forth the general terms and conditions upon which Lender will provide assistance to the Authority by originating Mortgage Loans under one or more Program Installments;

NOW, THEREFORE, in consideration of the acceptance by the Authority of the undersigned Lender's participating in the Program as an approved originator of Mortgage Loans for one or more Program Installments, as evidenced by the execution, delivery and acceptance of this Agreement by the Authority, and by the acceptance and agreement by Lender to the terms, conditions, warranties, representations and covenants of Lender under this Agreement, as evidenced by the execution hereof or counterparts hereof by the undersigned Lender, and of the warranties, representations and covenants hereinafter provided, the Authority and the undersigned Lender executing this Agreement hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless a different meaning is required from the context in which they are used herein, all words and terms defined in the Rules and Regulations of the Authority are used in this Agreement as defined in the Rules and Regulations of the Authority.

"Acquisition Cost" means the cost of acquiring the Housing Unit as a completed residential unit, excluding usual and reasonable settlement fees and financing costs, the value of any services performed by the mortgagor and members of his family in completing the Housing, and the cost of any land which was owned by the mortgagor for at least two years prior to the construction of the Housing. Settlement fees excluded from Acquisition Cost include title and title transfer costs, title insurance, survey fees and other similar costs. Financing costs excluded from Acquisition Cost include credit reference fees, points paid by the buyer (but not points paid by the seller) and other similar financing costs. Settlement fees and financing costs may be excluded in determining the Acquisition Cost of the Housing Unit only to the extent that the amount of such fees and costs do not exceed the usual and reasonable fees and costs that would be paid if the financing were not provided through tax-exempt bonds.

"Acquisition/Rehabilitation Loan" means a Mortgage Loan, the proceeds of which are applied to fund all or a portion of the costs of acquisition and rehabilitation of a Single Family Housing Unit but which does not meet all of the requirements of a Qualified Rehabilitation Loan.

"Act" means, collectively, Chapter 40, Title 31, Delaware Code, and Chapter 86, Title 29, Delaware Code, as amended.

"Agreement" shall mean this Mortgage Origination Master Agreement by and

between the Authority and Lender, as the same may be amended or supplemented from time to time pursuant to a Program Notice relating to a particular Program Installment.

"Annual Household Income" means the aggregate of the annual income of each adult who (i) intends to live in a unit of Housing, and (ii) executes the Mortgage on such Housing Unit or is the spouse of a person who executes such Mortgage. Annual income is calculated by analyzing the most recent pay period's wages (in the case of a wage earner), or the most recent quarter's earnings (in the case of a self-employed individual), and adding the total of all other income (taxable and non-taxable) for the most recent year for which a federal income tax return has been filed.

"Appraised Value" means the fair market value of any Housing Unit as determined by a Qualified Appraisal, such determination being final and conclusive between the parties hereto.

"Assignment of Mortgage Loan and Related Mortgage" shall mean, if applicable, the instrument completed and executed by Lender, in recordable form, and pursuant to which Lender assigns and delivers the related Mortgage Loan and endorses the Mortgage to the Authority or Servicer, as the case may be, in connection with the purchase of the related Mortgage Loan by such one of them.

"Assistance Payment" means the amount paid to an Eligible Mortgagor upon the closing of an Assisted Loan for use by the Mortgagor in paying all or a portion of his or her down payment and closing costs relating to such Assisted Loan or HOME Assisted Loan.

"Assistance Payment Percentage" means the maximum amount of the Assistance Payment expressed as a percentage of the original principal amount of an Assisted Loan or HOME Assisted Loan, as specified in the Program Notice relating to a particular Program Installment.

"Assisted Loan" means a Mortgage Loan originated in further implementation of the Authority's Assisted Loan Program.

"Assisted Loan Program" means that component of the Authority's Program whereby Mortgage Loans with Assistance Payments are made available to Eligible Borrowers.

"Authority" shall mean the Delaware State Housing Authority, its successors and assigns.

"Authorized Officer" means any officer of the Authority, Trustee, Servicer, or Lender, as the case may be, who is authorized to perform the relevant specific act on behalf of the Authority, Trustee, Servicer, or Lender, as evidenced in a manner satisfactory to the Authority or Trustee and complying with any requirements in regard thereto that are contained in the Resolution.

"Bondholder," "Bondowner," or "Owner" or any similar terms, means the registered owner of any Outstanding Bond or Bonds.

"Bonds" means all bonds, notes or other obligations issued by the Authority under the Resolution pursuant to a Series Resolution duly adopted by the Authority.

"Bond Closing Date" means the date on which the Authority delivers the Bonds and receives payment therefor.

"Bond Counsel" shall mean a lawyer or law firm recognized on a national basis as having an expertise in the rendering of legal opinions relating to the tax-exempt status under the Code of interest on governmental bonds.

"Business Day" means any day other than (i) a Saturday, Sunday, or State holiday, (ii) a day on which banking institutions in the city in which the principal corporate trust office of Trustee is located are authorized or obligated by law or executive order to be closed for business, or (iii) a day on which the New York Stock Exchange is closed.

"Certificate" shall mean a FHLMC Certificate, Fannie Mae Certificate or GNMA Certificate, as applicable.

"Certificate of Code Compliance Review" means the document in the form set forth in Exhibit H hereto, as the same may be amended from time to time, evidencing the findings required by this Agreement to be made by the Authority in connection with the origination or purchase of each Mortgage Loan and relating to compliance with applicable provisions of the Code, the Act, the Program and the applicable Program Installment.

"Certificate Provider" shall mean FHLMC, Fannie Mae or GNMA, as applicable.

"Certificate Provider Guide" shall mean separately the guide, procedures, manuals, or other similar guidelines for the origination, servicing, and/or pooling of Mortgage Loans, promulgated by FHLMC, Fannie Mae and GNMA and pertaining to the issuance, etc., of their respective Certificates.

"Closing Date" means the date on which a Mortgage Loan is closed by Lender with a Mortgagor.

"Code" means the Internal Revenue Code of 1986, as amended, as such statute applies to the Bonds and together with corresponding and applicable final, temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the United States Treasury Department or Internal Revenue Service, to the extent applicable to the Bonds.

"Code Compliance Fee" means the fee paid by or on behalf of the Mortgagor to the Authority in connection with an application for a Mortgage Loan, as may be and to the extent provided for in a particular Program Notice.

"Commitment" means the binding written commitment of Lender, in the form customarily used by Lender in its owner-occupied home lending practice or in a form customarily used in the mortgage lending industry as may be specified by Servicer, to a

particular Eligible Person and Family to finance the purchase of a particular Housing Unit with a Mortgage Loan, which Commitment shall specify a stated expiration date, a stated principal amount and the Stated Rate applicable to such Mortgage Loan.

"Compliance Package" means, for each Mortgage Loan originated under the Program, all of the items listed in the applicable Review Checklist, which are required by the Authority for its determination of compliance of such Mortgage Loan with Program and Code requirements.

"Contact Officers" shall mean those officers of any person designated by such person as an officer to contact.

"Conventional Mortgage Loan" means a Mortgage Loan other than an RHS, FHA or VA Mortgage Loan, and, if the Program Installment provides for a Certificate Provider, such a Mortgage Loan that satisfies the requirements of the Certificate Provider.

"Correspondent" or "Correspondent Lender" means a lender that does not meet all of the qualification requirements for designation as, or has not made an Offer to Participate as, a Lender pursuant to the terms of this Agreement, but wishes to originate Mortgage Loans under a particular Program Installment pursuant to a correspondent designation agreement, executed by Lender, wherein such Correspondent is approved by Lender to originate and sell, transfer, or assign to Lender, Mortgage Loans originated under a particular Program Installment and related Program Notice.

"Correspondent Lender Designation Agreement" shall mean such an agreement as set forth in Section 3.11 hereof.

"Custodial Agreement" means Form HUD 11715 or other applicable Custodial Agreement required by Certificate Provider from Servicer to the Certificate Provider for the Program.

"Custodian" shall mean the financial institution designated from time to time by Servicer in accordance with the applicable Certificate Provider Guide.

"Delivery Term" means the period of time during which Mortgage Loans may be acquired by the Authority or the Servicer, as the case may be, from Lender, such time period commencing on the Start Date and ending on the Final Sale Date, as such dates are specified in a Program Notice relating to a particular Program Installment.

"Effective Date" means the date specified in Section 7.14 of this Agreement.

"Eligible Borrower" means a person who (i) has an Annual Household Income (including the income of his or her spouse and of any other persons executing the Mortgage and their spouses) not in excess of the applicable amount specified in Exhibit F hereto, as the same may be amended from time to time, (ii) has not at any time during the three-year period ending on the date the Mortgage is executed, unless such borrower is financing a Housing Unit in a Targeted Area with the Mortgage Loan, had an ownership interest in a principal Housing Unit of

such borrower, and (iii) will occupy the Housing Unit as his or her principal Housing Unit within 60 days after the Mortgage Loan is made.

“Eligible Rehabilitation Costs” shall mean those structural or cosmetic repairs, alterations or improvements to a Housing Unit which are determined to be eligible for funding with proceeds of an Acquisition/Rehabilitation Loan or Qualified Rehabilitation Loan by the applicable Qualified Insurer or Certificate Provider.

"Escrow Payments" means the payments to be made in order to obtain or maintain mortgage guarantees or insurance and fire and other hazard insurance including payments for any federal, state, local or private program intended to assist in providing Mortgage Loans and any payments required to be made with respect to property secured by Mortgage Loans for real estate taxes or other governmental or similar charges that a mortgagor is customarily required to escrow, excluding water and sewer charges.

"Existing Housing Unit" means a Housing Unit that has been previously occupied as a Housing Unit.

“Extension Fee” means the fee that may be imposed by the Authority in connection with an extension of the Loan Closing Deadline pursuant to Section 3.09 hereof, the amount of such fee, if any, to be specified in the Program Notice relating to a particular Program Installment.

"Fannie Mae" means the Federal National Mortgage Association, and any successor thereto.

"Fannie Mae Certificate" means a single pool, guaranteed mortgage pass-through Fannie Mae Mortgage-backed Security, providing for the final regularly scheduled pass-through payment thereunder to be made not later than the date specified by the Authority pursuant to the applicable Program Notice, bearing interest at the applicable Pass-Through Rate, issued by Fannie Mae in book entry form, recorded in the name of Trustee or its nominee, guaranteed as to timely payment of principal and interest by Fannie Mae and backed by Conventional Mortgage Loans in the related Mortgage Pool, with a latest loan maturity date not later than the date specified by the Authority pursuant to the applicable Program Notice.

"Fannie Mae Community Home Buyer's Program" means the Community Home Buyer's Program of Fannie Mae as amended from time to time.

"Fannie Mae Guides" means the Fannie Mae Selling and Servicing Guides, as amended from time to time.

"FDIC" means the Federal Deposit Insurance Corporation, and its successors.

"FHA" means the Federal Housing Administration of the Department of Housing and Urban Development of the United States of America or any successor to its functions.

"FHA Insurance" means FHA Mortgage Insurance issued under any Section of

the National Housing Act of 1934, as amended, provided that the Mortgage Loan which is the subject of such insurance be eligible for inclusion in a Certificate.

"FHA Insured" means insured under FHA Insurance.

"FHA Mortgage Loan" shall mean a mortgage loan secured by a Mortgage insured by FHA under the provisions of the National Housing Act, as now and hereafter amended, which mortgage loan is eligible for inclusion in a Certificate and which contains the Mortgage Rider (Exhibit D-4 hereto) and the Notice to Buyers (Exhibit D-5).

"FHLMC" means the Federal Home Loan Mortgage Corporation, and its successors.

"FHLMC Certificate" shall mean a single pool, participation certificate issued by FHLMC guaranteed as to timely payment of interest and the ultimate collection of principal by FHLMC and backed by Conventional Mortgage Loans in the related pool.

"Fidelity Bond" means a fidelity bond in form and substance as required of mortgage sellers/servicers by the Certificate Providers' Guides.

"Final Certificate Acquisition Date" means the last day on which Trustee may purchase Certificates from Servicer, which date shall be the last Business Day of the month which includes the Final Certificate Issuance Date unless otherwise specified in the Program Notice relating to a particular Program Installment.

"Final Certificate Issuance Date" shall mean the final date for the issuance of Certificates with respect to a Program Installment, which Final Certificate Issuance Date shall be set forth in the related Program Notice.

"Final Closing Date" shall mean the final date for the closing of Mortgage Loans with respect to a particular Program Installment, which Final Closing Date shall be set forth in the related Program Notice.

"Final Compliance Package" shall mean the final Compliance Package.

"Final Compliance Package Final Delivery Date" shall mean the final date for the submission of a Final Compliance Package to the Authority with respect to a Mortgage Loan originated in connection with a particular Program Installment, which Final Compliance Package Final Delivery Date shall be set forth in the related Program Notice.

"Final Sale Date" shall mean the final date on which a Lender may sell to the Authority or Servicer, as the case may be, a Mortgage Loan originated in connection with a particular Program Installment, which Final Sale Date shall be set forth in the related Program Notice.

"First Time Homebuyer" means an individual who has not had a present ownership interest (within the meaning of the Code) in his or her principal Housing Unit (within

the meaning of the Code) at any time during the three-year period ending on the date he or she executes a Note.

"Force Majeure" means any cause or event not within the control of a party hereto that prevents that party from performing any of its obligations hereunder, including, without limitation, the following: acts of God; strikes; lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies or officials, or any civil or military authority; insurrections; riots; landslides; adverse weather conditions; earthquakes; fires; storms; droughts; floods; explosions; and breakage or accident to transmission wires, machinery, transmission pipes or canals.

"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, whose powers are prescribed generally by Title III of the National Housing Act, as amended (12 U.S.C. §1716, et seq.), and any successor thereto.

"GNMA Certificate" means a certificate issued by Servicer and guaranteed by GNMA pursuant to GNMA's GNMA-I or GNMA-II mortgage-backed securities program under Section 306(g) and other related provisions of the National Housing Act of 1934, as amended, and based on and backed by RHS, FHA and VA Mortgage Loans referred to in the GNMA Guaranty Agreement, which Certificate shall unconditionally obligate GNMA to remit monthly to the holder thereof or to the paying and transfer agent set forth in such Certificate, as Central Paying and Transfer Agent ("CPTA"), its pro rata share of: (i) principal payments and prepayments made in respect of the Pool of Mortgage Loans represented by the GNMA Certificate, and (ii) interest received in an amount computed at the applicable Pass-through Rate.

"GNMA Commitment" means that certain Commitment to Guarantee Mortgage-Backed Securities, which Servicer has obtained from GNMA pertaining to the RHS, FHA and VA Mortgage Loans, together with any amendments or supplements thereto or extensions thereof.

"GNMA Guaranty Agreement" shall mean the one or more guaranty agreements in the form set forth in the GNMA Guide between Servicer and GNMA now or hereafter in effect pursuant to which GNMA has agreed or will agree to guarantee GNMA Certificates backed by Mortgage Loans.

"GNMA Guide" shall mean the GNMA I Mortgage-Backed Securities Guide, GNMA Handbook 5500.1 or the GNMA II Mortgage-Backed Securities Guide, GNMA Handbook 5500.2, as applicable, as amended from time to time, and as may be specified from time to time in a particular Program Notice.

"Government Obligations" means direct general obligations of, or obligations the payment of the principal and interest of which are unconditionally guaranteed by, the United States of America.

"Gross Monthly Income" means, as of the date of credit underwriting of a

Mortgagor by the Lender, income from all sources (before taxes or withholding) of all adult persons residing or intending to reside in the Housing Unit to be financed with the proceeds of a Mortgage Loan, including the potential Mortgagor, and shall in any event include monthly income of all persons who reside or intend to reside with such Mortgagor in the same dwelling unit (other than persons under 18 years of age who are not primarily liable or secondarily liable on the Mortgage Note), but exclusive of the income of any co-signor of a Mortgage Note who does not reside or intend to reside therein. Gross Monthly Income is the sum of monthly gross pay, any additional income from investments, pensions, Veterans Administration (VA) compensation, part-time employment, net bonuses, dividends, interest, current over-time pay, net rental income, royalties, etc., and other income (such as alimony and child support, public assistance, sick pay, social security benefits, unemployment compensation, income received from trusts or from business activities or investments), calculated in accordance with the Mortgagor's Affidavit and Certification Part III--Annualized Monthly Income Worksheet (Exhibit D-8 hereto). Negative income figures (e.g. negative net rental income, business losses, etc.) will not be used to offset income in determining eligibility.

"HOME Assisted Loan" means a Mortgage Loan originated in further implementation of the Authority's HOME Assisted Loan Program, pursuant to the applicable Program Notice.

"HOME Assistance Payment Percentage" means the maximum amount of the HOME Assistance Payment expressed as a percentage of the original principal amount of a HOME Assisted Loan, as specified in the Program Notice applicable to a particular Program Installment.

"HOME Minimum Income Requirement" means Annual Household Income in an amount equal to three and one-third times the total regular monthly payments of principal and interest plus tax and insurance escrow contributions scheduled to be paid during the first 12 months of the amortization period of a HOME Assisted Loan.

"HOME Minimum HQS" means (a) with respect to an existing Housing Unit, the Housing Quality Standards applicable to the Section 8 Housing Assistance Payments Program administered by HUD and appearing at 24 CFR 882.109, together with all applicable State and local residential building codes and ordinances, (b) with respect to a newly constructed, not previously occupied Housing Unit, the current edition of the Model Energy Code, and (c) with respect to a Substantially Rehabilitated Housing, the cost effective energy conservation and effectiveness standards in 24 CFR Part 39.

"HOME Program" means the HOME Investment Partnership program administered by HUD pursuant to the HOME Investment Partnership Act authorized under Title II of the Cranston-Gonzalez National Affordable Housing Act, Public Law 101-625.

"HOME Program Regulations" means the regulations adopted by HUD for purposes of establishing guidelines for the administration of and participation in the HOME Program (24 CFR, Part 92).

"HOME Project Summary" means the form included as Exhibit L to be completed

by the Lender in connection with the origination of a HOME Assisted Loan.

"HOME Regulatory Agreement" means the agreement in the form included as Exhibit M executed by and between the Eligible Mortgagor and the Authority as of the Closing Date of a HOME Assisted Loan.

"Housing Unit" or "Single Family Housing Unit" means a single-family residential unit (excluding a condominium unit) and land appurtenant to the residential unit that is located in the State, including a manufactured home meeting the Certificate Provider's standards and acceptable to RHS, FHA, VA, or the PMI Insurer, as applicable, if ownership of such manufactured home is in fee simple) and land appurtenant to the residential unit, (i) which is designed and intended primarily for residential housing, (ii) which is determined by a Qualified Appraisal to have an expected useful life of not less than 24 years, (iii) which will be occupied by the Mortgagor as his or her principal Housing Unit within a reasonable time (not to exceed 60 days) after financing is provided, (iv) which unit is permanently affixed to land, (v) the Acquisition Cost of which does not exceed the Purchase Price Limits, and (vi) the land appurtenant to which reasonably maintains the basic livability of the Housing Unit and does not provide, other than incidentally, a source of income to the Mortgagor, including child-care services on a regular basis for compensation. The term "Housing Unit" does not include rental houses or factory-made housing and Mobile Homes that are not deemed real property under the laws of the State.

"Ineligible Borrower" means a person who is not eligible to become a Mortgagor under a particular Program Installment due to such person's inclusion in one or more categories of individuals precluded by the Authority's Rules (or otherwise by the Authority) from obtaining a Mortgage Loan, as such categories of individuals are identified or defined in the Program Notice relating to such Program Installment.

"Invitation to Participate" shall mean the Authority's invitation to Lender and other prospective lenders to submit offers to the Authority to participate as an Originator of Mortgage Loans under one or more Program Installments.

"Issue Date" means, with respect to a Fannie Mae/FHLMC/GNMA Certificate, the first day of the month in which the Servicer issues by Fannie Mae, FHLMC, or GNMA, or such Certificate, respectively.

"Late Delivery Penalty Fee" means the penalty fee which may be imposed by the Authority in connection with the purchase of a Mortgage Loan on a date following the applicable Final Sale Date, as provided by Section 3.13 hereof.

"Lead-Based Paint Disclosure Form" means a written document executed by the Mortgagor, on or before the Closing Date of a Mortgage Loan secured by a Housing Unit constructed prior to 1978, for the purpose of acknowledging receipt of information disclosing health and safety hazards associated with lead-based paint, the content of which disclosure information and the form of which document meets the then-current requirements of FHA, VA, RHS, the PMI Insurer, and the Certificate Provider, as applicable.

"Lender" means a home mortgage lending institution or entity, other than Trustee (but which may be an entity affiliated with Trustee), which has executed this Agreement with the Authority and which (i) meets the lender qualification requirements, as set forth herein, (ii) has been approved for participation by the Authority and the Servicer relating to a particular Program Installment, (iii) has made the representations, warranties and covenants set forth in Section 2.02 hereof, and (iv) has agreed to and will originate Mortgage Loans itself, or with the assistance of Correspondent Lenders pursuant to this Agreement.

"Level Payment Mortgage Loan" means a Mortgage Loan with equal monthly payments that amortize such Mortgage Loan on a monthly level debt service basis, based on an interest rate equal to the Stated Rate.

"Loan Closing Deadline" means, for each Mortgage Loan, that date which is sixty (60) calendar days following the date of the applicable Reservation and by which the related Closing is required to occur as required by Section 3.09 hereof.

"Loan-to-Value Ratio" means the ratio of the original principal amount of a Mortgage Loan to the lesser of (i) the Appraised Value of a Housing Unit as determined in a Qualified Appraisal, or (ii) the Acquisition Cost of a Housing.

"Market Value" means either (i) Appraised Value, or (ii) the most recent selling price of the mortgaged property, at the discretion of the Authority.

"Maximum Household Income Limit" means the amount specified as such as set out in Exhibit H-1 attached hereto, which may be unilaterally revised from time to time by the Authority.

"Mobile Home" means a home that is not securely affixed to a permanent foundation or which does not have adequate utilities or sufficient land or rights in real estate to permanently provide adequate means of ingress and egress.

"Mortgage" means any instrument that secures an obligation and constitutes a lien on real property or on a leasehold under a lease having a remaining term, at the time such mortgage is acquired, which does not expire for at least that number of years beyond the maturity date of the obligation secured by such mortgage as is equal to the number of years remaining until the maturity date of such obligation, which instrument shall be in the then-effective form required or permitted by RHS, FHA, VA or the applicable Certificate Provider with only such modifications as may be required or permitted by the terms hereof (particularly the restriction on assumptions set forth as Exhibit B of this Agreement).

"Mortgage Lender" means any bank or trust company, savings bank, national banking association, savings and loan association, building and loan association, Federal National Mortgage Association or Federal Home Loan Mortgage Corporation approved mortgage banker, or any insurance company authorized to transact a home mortgage lending business in the State.

"Mortgage Loan" means a loan originated by a Lender with respect to a New

Housing Unit or Existing Housing Unit pursuant to and in accordance with the Act, this Agreement, the applicable Program Notice and the Resolution, evidenced by a Note and secured by a first lien Mortgage, which, together with the applicable Eligible Borrower and Housing Unit, meets the applicable requirements of the Act, the Code, this Agreement, the applicable Program Notice and the Resolution.

“Mortgage Loan Purchase Account” means each Account by that name created pursuant to the Resolution and into which certain Bond proceeds will be deposited and used to acquire Mortgage Loans or Certificates, as applicable, in connection with a particular Program Installment.

"Mortgage Loan Commitment" means a written, firm commitment letter similar to the type the Mortgage Lender would ordinarily provide prospective home buyers or borrowers where financing is not provided from the proceeds of tax-exempt bonds which commitment must commit to an individual or individuals a stated amount of money for the purchase of a particular Housing Unit for a stated period of time at a stated interest rate.

"Mortgage Loan Discount" means, with respect to all Mortgage Loans, the applicable amount determined pursuant to the Program Notice relating to a particular Program Installment.

"Mortgage Loan File" means the file compiled by Lender, maintained by Servicer, and containing the documents and other items listed in Exhibit C hereto, and those applicable documents set forth in Exhibit D hereto.

"Mortgage Loan Purchase Price" means, with respect to a Mortgage Loan, the applicable amount determined pursuant to a Program Notice relating to a particular Program Installment.

"Mortgage Note" means a Note secured by a Mortgage.

"Mortgage Pool" means the group of RHS, FHA and/or VA Mortgage Loans backing a GNMA Certificate issued by Servicer or the group of Conventional Mortgage Loans backing a Fannie Mae or FHLMC Certificate.

"Mortgage Purchase" shall mean any purchase pursuant to this Agreement whereby a Mortgage Loan is sold by Lender to the Authority or a Servicer, as the case may be.

"Mortgage Purchase Closing" means the payment by the Authority for, and delivery to the Authority of, any Mortgage Loans purchased hereunder.

"Mortgaged Property" shall mean the real property with all improvements thereon covered by a Mortgage securing a Mortgage Loan.

“Mortgage Servicing Master Agreement” shall mean that certain Mortgage Servicing Master Agreement by and among the Authority and the Servicer designated therein, dated September 28, 2001, and any supplements and amendments thereto.

"Mortgagor" means the person or persons who execute(s) and deliver(s) a Mortgage as security for a Note in connection with the acquisition of a Housing Unit through the borrowing of money pursuant to a Mortgage Loan, and includes, where appropriate, a subsequent owner of such Housing Unit who purchases such Housing Unit subject to such Mortgage Loan or who assumes such Note, and who, in each case, meets the requirements of the Act, the Code, the Resolution, this Agreement and the applicable Program Notice relating to a particular Program Installment.

"New Housing Unit" means a Housing Unit that has not been previously occupied as a Housing Unit.

"Non-Targeted Area Mortgage Loan" shall mean a Mortgage Loan which was originated to finance the acquisition or construction of a Housing Unit located anywhere within the State, other than a Targeted Area.

"Note" means the promissory note or other document or documents executed by a Mortgagor to evidence such Mortgagor's obligation to repay a Mortgage Loan.

"Notice Address" means:

As to the Authority: Delaware State Housing Authority
820 N. French Street
10th Floor
Wilmington, DE 19801
Attention: Single Family Programs

As to Lender: The address set forth on the Offer to Participate executed and submitted to the Authority by Lender

"Notice of Acceptance" shall mean the Authority's written notice and confirmation to Lender of the Authority's acceptance of Lender's Offer to Participate in one or more Program Installments.

"Offer to Participate" means that agreement executed by and between the Authority and a Lender whereby Lender offers to participate in one or more Program Installments as an originator of Mortgage Loans pursuant to this Agreement.

"Origination Fee" means, with respect to each Mortgage Loan, the applicable amount determined pursuant to the Program Notice relating to a particular Program Installment.

"Origination File" means, with respect to each Mortgage Loan, the file created by Lender pursuant to Section 3.05(b) hereof and containing the items listed in Exhibit D.

"Origination Period" shall mean the period during which Lender may originate and close Mortgage Loans, such time period commencing on the Start Date and ending on the Final Closing Date, as such dates are set forth in the Program Notice relating to a particular

Program Installment.

"Pass-Through Rate" means, with respect to a Certificate, the rate specified by the Authority in the Program Notice relating to a particular Program Installment.

"Permitted Encumbrances" means those encumbrances with respect to a Housing Unit permitted by RHS, FHA, VA, the PMI Insurer or a Certificate Provider, as applicable, to the extent that such encumbrances do not impair the security for the Mortgage Loan, are matters of public record as of the date the related Mortgage is recorded and are taken into account and reflected in the Qualified Appraisal submitted to Lender in connection with the origination of the related Mortgage Loan. In no event shall exceptions for other mortgages or security interests, mechanics' or materialmen's liens, or other types of instruments or liens which might result in foreclosure of the Mortgaged Property or Mortgagor's interest therein be accepted.

"PMI Insurer" means any private mortgage insurance company approved by the Authority and by the applicable Certificate Provider and providing Private Mortgage Guaranty Insurance on Conventional Mortgage Loans.

"Policy of Title Insurance" means a current American Land Title Association standard form Lender's policy of title insurance initially in the amount of the original principal amount of such Mortgage Loan, and, if no survey has been provided to Lender, a survey or location endorsement, payable to the benefit of Lender and/or its assigns, as their interest may appear, issued by a Qualified Title Insurance Company, insuring title to the real property subject to the Mortgage as being vested in the Mortgagor, subject only to the lien of the Mortgage Loan and to Permitted Encumbrances.

"Pool" shall mean all the Mortgage Loans held in connection with a particular Certificate.

"Pool Compliance Certificate" shall mean the written confirmation from the Authority (in the form of Exhibit K hereof) to Trustee to indicate that all loans in a Pool have received Final Certificate of Code Compliance Review approval and the related Certificate is ready for purchase.

"Pool Documentation Package" shall mean those documents as required by a Certificate Provider.

"Pool Insurance" shall have the meaning as defined in the Resolution.

"Pool Purchase Contract" means the Certificate Provider Pool Purchase Contract between Servicer and any of the Certificate Providers relating to the sale of Mortgage Loans to Certificate Providers by Servicer, or the issuance of Certificates by Servicer and the servicing thereof.

"Preliminary Compliance Package Final Delivery Date" shall mean the final date for submission of a preliminary Compliance Package to the Authority with respect to a Mortgage Loan originated in connection with a particular Program Installment, which preliminary

Compliance Package Final Delivery Date shall be set forth in the related Program Notice.

"Prepayment" means a payment of principal on a Certificate other than regularly scheduled payments of principal.

"Private Mortgage Guaranty Insurance" means a private mortgage guaranty insurance policy issued by a PMI Insurer with respect to a Conventional Mortgage Loan in accordance with the terms hereof and providing coverage in an amount as shall be required by the Certificate Provider under the applicable Certificate Provider Guide.

"Program" means the Authority's Homeownership Loan Program of promoting and encouraging home ownership by Eligible Mortgagors and implemented in one or more Program Installments by financing Mortgage Loans pursuant to the Resolution, the applicable Rules, the Act, the Offers to Participate, this Agreement, and the Program Notice relating to each Program Installment, and any instruments relating to this Agreement which are executed by one or more Lenders, as such documents may from time to time be amended or supplemented in accordance with their respective terms.

"Program Installment" shall mean that component of the Program funded with proceeds of one or more Series of Bonds issued pursuant to a Series Resolution as designated in sequence in accordance with the following example: "Senior Single Family Mortgage Revenue Bonds, 2001 Series A", etc., and evidenced by a specific Program Notice.

"Program Installment Participation Fee" means the fee to be paid by Lender to the Authority on or before the submission of Lender's first request for a Reservation with respect to a Mortgage Loan to be originated under a particular Program Installment, the amount of such fee being specified in the Program Notice relating to such Program Installment.

"Program Notice" shall mean, with respect to a particular Program Installment, the written notice, including any addendum thereto, from the Authority to Lenders and the Servicer setting forth the specific dates, terms and conditions relating to the origination, delivery, pooling, securitization and servicing of Mortgage Loans relating to such Program Installment.

"Program Participation Fee" means the annual fee to be paid by Lender to the Authority upon the Authority's release of the Notice of Acceptance relating to Lender's respective Offer to Participate in one or more Program Installments pursuant to the terms and conditions of this Agreement.

"Property Value" shall mean the lower of (i) the Appraised Value of the Mortgaged Property as of a date within six (6) months of the Closing Date, which would be used by Lender if the Mortgage Loan were originated for sale to FHLMC or Fannie Mae, or (ii) the purchase price paid for the Mortgaged Property by the Mortgagor.

"Purchase Date" shall mean the date upon which payment is made to Lender with respect to any Mortgage Loan sold to the Authority or the Servicer, as the case may be, by Lender under this Agreement and the Program Notice relating to a particular Program Installment.

"Purchase Price Limit" means the maximum Acquisition Cost of a Housing Unit as set forth in Exhibit F hereto.

"Qualified Appraisal" means an appraisal of any Housing Unit that is prepared by a Qualified Appraiser.

"Qualified Appraiser" means an appraiser qualified and licensed to perform real property appraisals in the State.

"Qualified Insurer" means any insurance company that is approved by FHA, VA, RHS, the PMI Insurer or the applicable Certificate Provider, to provide Standard Hazard Insurance, on single family Housing Units in the State.

"Qualified Mortgage Loan" means a Mortgage Loan that is (i) insured or guaranteed pursuant to Qualified Mortgage Loan Enabling Legislation, or (ii) represents risk or exposure to the Authority of not more than eighty percent (80%) of the Market Value.

"Qualified Mortgage Loan Enabling Legislation" means the National Housing Act, being Title 12 of U.S.C., Section 1701 et seq., in the case of Mortgage Loans insured by the Federal Housing Administration; the Servicemen's Readjustment Act of 1944, being Title 38 of U.S.C., Section 1801 et seq., in the case of Mortgage Loans guaranteed by the Veterans Administration; and the Housing Act of 1949, being Title 42 of U.S.C., Section 1471 et seq., in the case of Mortgage Loans insured or guaranteed by the RHS.

"Qualified Rehabilitated Housing Unit" means an existing Housing Unit that has undergone Qualified Rehabilitation and for which the Mortgagor is the first resident following the completion of such Qualified Rehabilitation.

"Qualified Rehabilitation" means any rehabilitation of a building that meets the following requirements:

- a) there is a period of at least 20 years between the date on which the building was first used (for residential or commercial purposes) and the date on which the physical rehabilitation begins;
- b) in the rehabilitation process, (i) 50% or more of the existing external walls of such building are retained in place as external walls, (ii) 75% or more of the existing external walls of such building are retained in place as either internal or external walls, and (iii) 75% or more of the existing internal structural framework of such building is retained in place; and
- c) the expenditures for such rehabilitation are in an amount at least equal to 25% of the Eligible Mortgagor's adjusted basis (for Federal Income Tax purposes) in the Housing Unit.

For purposes of clause (c), above, the Eligible Mortgagor's adjusted basis

shall be determined as of the later of the date of completion of the rehabilitation, or the date on which the Eligible Mortgagor acquires the Housing Unit.

"Qualified Rehabilitation Loan" means a Mortgage Loan with respect to a Qualified Rehabilitated Housing Unit.

"Qualified Title Insurance Company" means a title insurance company duly qualified to do business in the State, duly authorized to issue American Land Title Association (ATLA) approved mortgage guaranty title insurance policies and binding commitments therefor, and which company is approved by an Authorized Officer of the Authority.

"Rate Setting Date" shall mean the date on which the Authority shall establish the Stated Rate(s) for the Mortgage Loans to be originated pursuant to the Program Notice relating to a particular Program Installment, or any subsequent date on which the Stated Rate(s) is adjusted or reset.

"Rating Agency" shall be one or more nationally recognized securities rating agencies designated by the Authority, with the approval of the Trustee, to issue ratings on the Bonds.

"Regular Mortgage Loan" means a Mortgage Loan originated in further implementation of the Regular Mortgage Loan Program.

"Regular Mortgage Loan Program" means that component of the Authority's Program whereby low interest rate Mortgage Loans other than Assisted Loans and HOME Assisted Loans are made available to Eligible Mortgagors.

"Reservation" shall mean the Authority's confirmation and reservation to Lender of the Reserved Amount with respect to an individual Mortgage Loan to be originated under a particular Program Installment.

"Reservation Period" shall mean the period during which Lenders may request Reservations from the Authority in accordance with Section 3.04 hereof, which Reservation Period shall be set forth in the Program Notice relating to a particular Program Installment.

"Reserved Amount" shall mean the principal amount of a Mortgage Loan set forth in a Reservation.

"Resolution" shall have the meaning set forth in the preamble to this Agreement.

"Review Checklist" means a checklist consisting of the documents to provided as set forth in Exhibit I attached hereto.

"RHS" shall mean Rural Housing Service, an agency within the United States Department of Agriculture, or other agency or instrumentality created or chartered by the United States to which the powers of Rural Housing Service have been transferred, and which was

formerly known as Farmers Home Administration.

"RHS Mortgage Loan" shall mean a Mortgage Loan secured by a Mortgage guaranteed by RHS under the Section 502 Guaranteed Single Family Rural Housing Loan Program, as now and hereafter amended, which Mortgage Loan is eligible for inclusion in a Certificate.

"Rules and Regulations of the Authority" means the Rules and Regulations of the Authority pertaining to Mortgage Loans for Housing Units, and which are attached hereto as Exhibit A and made a part hereof, as the same may be supplemented or amended from time to time.

"Series Resolution" means an amendment and supplement to the General Bond Resolution that is duly adopted by official action of the Authority authorizing the issuance of one or more Series of Bonds in accordance with the terms and provisions of the Resolution, which amendment and supplement also may authorize the origination and purchase of a specific amount of Certificates, and incorporates therein, or incorporates therein by reference the Program Notice relating to the applicable, related Program Installment, as well as all other relevant terms and conditions relating to the Mortgage Loans to be originated and purchased and to the Certificates to be purchased pursuant thereto, if applicable.

"Servicer" means the Mortgage Lender or other servicer approved by the Authority and which has executed a Servicing Agreement with the Authority.

"Servicing Acquisition Fee" means the payment to be made by the Servicer pursuant to a Servicing Agreement, and as may be specified in the Program Notice relating to a particular Program Installment, which payment is to be applied pursuant to the Resolution and the related Series Resolution.

"Servicing Agreement" means the Mortgage Servicing Master Agreement by and among the Authority, Trustee, and the Servicer designated in the Program Notice relating to a particular Program Installment.

"Servicing Fee" with respect to a Mortgage Loan shall be the amount specified in the Program Notice relating to a particular Program Installment.

"Servicing 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 the Authority and Trustee by Servicer, as such list may from time to time be amended.

"Servicing Release Fee" shall mean the payment to be made by the Servicer to the Lender upon the purchase of a Mortgage Loan, the amount of which payment (if any) shall be specified in the Program Notice relating to a particular Program Installment.

"Standard Hazard Insurance" means a standard policy of casualty and extended insurance (which includes flood insurance to the extent required).

"Start Date" shall mean the initial date for the issuance of Reservations in connection with a particular Program Installment, which Start Date shall be set forth in the Program Notice relating to such Program Installment.

"State" means The State of Delaware.

"Stated Rate" means the rate of interest per annum borne by a Mortgage Loan, as specified in the applicable Program Notice, or such higher or lower interest rate or rates as may be required as a result of any changes or modification in the fees or charges of RHS, FHA, VA, or a Certificate Provider, or by the Authority, as permitted pursuant to the Series Resolution and Program Notice, that may be paid by the Mortgagor as part of the interest rate on the Mortgage Loans and which, in the opinion of Bond Counsel, will not affect the exclusion from gross income of interest on the Bonds for Federal income tax purposes.

"Successor Servicer" means an established mortgage loan servicing organization acceptable to RHS, FHA, VA, any PMI Insurer and the appropriate Certificate Provider(s), which may be the Trustee or an affiliate thereof, appointed pursuant to the provisions of the Servicing Agreement, to succeed a Servicer under the provisions of a Servicing Agreement.

"Supplemental Origination Fee" means a fee that may be charged by Lender for additional services in connection with the origination of an Acquisition/Rehabilitation Loan or Qualified Rehabilitation Loan, such fee to be in an amount specified in the Program Notice relating to a particular Program Installment.

"Targeted Area" means a low income or economically distressed area determined to be such by the Authority pursuant to Section 143(j) of the Code and identified as such in Exhibit E attached hereto.

"Targeted Area Mortgage Loan" shall mean a Mortgage Loan originated to finance the acquisition or construction of a Housing Unit located within a Targeted Area.

"Trustee" shall mean Wilmington Trust Company, a Delaware banking corporation and trust company, Wilmington, Delaware, or its duly designated successor, or such other entity designated by the Authority, which shall be a bank or trust company meeting the requirements of the Resolution and authorized pursuant to Delaware law to exercise trust powers in the State.

"VA" means the Veterans Administration, an agency of the United States of America, or any successor to its functions.

"VA Guaranteed" means guaranteed by the VA under the Serviceman's Readjustment Act of 1944, as amended.

"VA Guaranty" means a guaranty by the VA under the Serviceman's Readjustment Act of 1944, as amended.

"VA Mortgage Loan" shall mean a mortgage loan secured by a Mortgage guaranteed by the VA under the provisions of the Servicemen's Readjustment Act of 1944, or Chapter 37 of Title 38 of the United States Code, as now and hereafter amended, and which contains the Mortgage Rider (Exhibit D-4) and the Disclosure Statement (Exhibit D-6).

"Yield" means the yield to maturity determined by reference to a standard table of mortgage yields for equal monthly payments whereby each month the payment is applied first to interest and the remainder to the reduction of principal.

Section 1.02. Interpretations.

(a) In this Agreement, unless the context otherwise requires:

- (i) the terms "hereby," "hereof," "hereto," "herein," "hereunder," and any similar terms refer to this Agreement, and the term "heretofore" means before and the term "hereafter" means after the date of this Agreement;
- (ii) words of the masculine gender mean and include correlative words of the feminine and neuter genders, and words importing the singular number mean and include the plural number and vice versa;
- (iii) words importing persons mean and include words importing firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons;
- (iv) any headings preceding the texts of the several Articles and Sections of this Agreement, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect; and
- (v) this Agreement shall be governed by and construed in accordance with the applicable laws of the State.

(b) Nothing in this Agreement expressed or implied is intended or shall be construed to confer upon, or to give to any person, other than the Authority, Trustee, Servicer and Lender any right, remedy or claim under or by reason of this Agreement, or any covenant, condition or stipulation hereof. All the covenants, stipulations, promises and agreements herein contained by and on behalf of the Authority, shall be for the sole and exclusive benefit of the Authority, Trustee, Servicer and Lender. Any entity acting as the Servicer for any Mortgage Loans originated pursuant to this Agreement is hereby declared by the parties hereto to be a third-party beneficiary of the representations, warranties, covenants, terms and conditions of this Agreement

(c) If any covenant or agreement provided herein on the part of the Authority, Trustee, Servicer or Lender to be performed should be contrary to law, then such covenant or

agreement shall be deemed separable from the remaining covenants and agreements hereof, and shall in no way affect the validity of the other provisions of this Agreement.

Section 1.03. Forms Attached as Exhibits. Each form and/or report referred to herein shall be generally in the form set forth in the applicable Exhibit that is appended to this Agreement, and shall be subject to such revisions or changes as are deemed necessary or preferable by the Authority, or which are reasonably required by the Trustee or by a Rating Agency, a bond issuer or insurer or a mortgage insurer; or which are reasonably required for Code compliance. All such Exhibits are incorporated herein and constitute a part of this Agreement. Lender hereby agrees that the Authority may unilaterally change, amend, alter or discontinue the use of any of these forms, and may incorporate the use of additional forms, all from time to time, on as many occasions, as circumstances may require.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.01. Representations, Warranties and Covenants by the Authority. The Authority represents and warrants to, and covenants with, the Mortgage Lender that:

(a) The Authority is a public corporation and independent authority in the Executive Department of the State. Pursuant to the Act, the Authority has established a program for purchasing Mortgage Loans within the State and, pursuant to such program, has authorized the execution and delivery of this Agreement and the Bonds.

(b) The Authority has found and determined that the purchase of the Mortgage Loans under the terms of this Agreement will both further the purposes of the Act and be in the public interest by increasing the supply of money available for mortgage loans, so that persons of low and moderate income can finance the purchase of safe and sanitary housing at less than the prevailing market interest rate, thereby stimulating the local economy, increasing the tax base and relieving unemployment in the State.

(c) The Authority has complied with all of the provisions of the Constitution and laws of the State, including the Act, and has full power and authority to consummate all transactions contemplated by this Agreement, the Bonds and any and all other agreements relating thereto.

(d) To accomplish the foregoing, the Authority proposes to issue one or more Series of Bonds, apply the proceeds thereof, and undertake to perform responsibilities of the Authority, in accordance with the Resolution, each Series Resolution, the Servicing Agreement, this Agreement and the Program Notice relating to each Program Installment.

(e) No officer or official of the Authority has any ownership or employment interest in the Mortgage Lender or any interest in the transactions contemplated by this Agreement.

(f) It will make any and all findings or determinations required to be made by

it pursuant to this Agreement in good faith and with due diligence.

(g) This Agreement has been duly authorized, executed and delivered by it, and, when executed and delivered by Lender, will constitute the legal, valid and binding obligation of the Authority, enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization or other laws or equitable principles affecting creditors rights generally.

(h) To its knowledge after due inquiry, no litigation is pending or threatened in writing against it that would prohibit its entering into this Agreement or consummation of the transactions contemplated hereby.

(i) All obligations of the Authority incurred hereunder shall be subordinated to the obligations of the Authority to the Owners of the Bonds and shall be payable to Lender only after all obligations of the Authority to the Owners of the Bonds shall have been satisfied, and the Bonds have been duly discharged, all in accordance with the terms and conditions of the Resolution, which shall be construed as paramount to and controlling over the terms and conditions of this subsection.

(j) The Authority shall have no obligation of any kind to pay or to reimburse Lender or Servicer for any costs incurred by Lender or Servicer in connection with the intended issuance of any of the Bonds.

Section 2.02 Representations, Warranties and Covenants of Mortgage Lender.

The Mortgage Lender represents and warrants to, and covenants with, the Authority that:

(a) It is (i) duly organized and existing under the laws of the State, of another state, or of the United States, and (ii) a Mortgage Lender duly authorized to make Mortgage Loans in the State.

(b) It will, during the term of this Agreement, remain a financial institution subject to supervision and examination by state or federal authorities, as applicable, will remain in good standing and qualified to do business under the laws of the United States of America or the state of its then state of organization and of the State, will not dissolve or otherwise dispose of all or substantially all of its assets and will not voluntarily consolidate with or merge into any other entity or permit one or more other entities to consolidate with or merge into it; provided, that it may, without violating the covenant contained in this subsection, consolidate with or merge into another financial institution, or permit one or more financial institutions to consolidate with or merge into it, or sell or otherwise transfer to another such financial institution all or substantially all of its assets as an entirety and thereafter dissolve, if the surviving, resulting or transferee financial institution, as the case may be, shall be subject to the supervision and examination of state or federal authorities, as applicable, and after giving effect to such transaction, have a net worth substantially equal to or greater than that of such Mortgage Lender immediately prior to such acquisition, consolidation or merger, and shall assume in writing all of the obligations of such Mortgage Lender under this Agreement.

(c) It has the power to execute, deliver and perform, and to enter into the

transactions contemplated by, this Agreement, and has duly authorized the execution, delivery and performance of this Agreement.

(d) Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement conflicts or will conflict with or results or will result in a breach of any of the terms, conditions or provisions of its charter or by-laws or any legal restriction or any agreement or instrument to which it is now a party or by which it is bound, or constitutes or will constitute a default under any of the foregoing.

(e) It will not knowingly take any action or permit any action that is within its control to be taken that would cause interest on the Bonds to be included in the federal gross income of the Holders thereof.

(f) To the Mortgage Lender's knowledge, after reasonable investigation, (a) neither the Acquisition Cost nor the sales price of the Housing Unit exceeds the applicable maximum Acquisition Cost set out in Exhibit F hereto as from time to time amended, (b) the Housing Unit (i) is, or will within 60 days after the Mortgage closing be, the principal Housing Unit of the Mortgagor, (ii) will not be used in a trade or business of the Mortgagor (subject to de minimis use up to 15%) and (iii) does not include land in excess of that required to maintain the basic livability of the Housing Unit or land that will provide, other than incidentally, a source of income to the Mortgagor, (c) unless the Housing Unit is located in a Targeted Area, each person executing the Mortgage as Mortgagor (but not a mere cosigner of the Mortgage Loan Note who will not have a present ownership interest in the Housing) has not, at any time during the three-year period ending on the date the Mortgage was executed, had an ownership interest in a principal Housing Unit of such Mortgagor, (d) the Annual Household Income of the Mortgagor does not exceed the applicable maximum limit set out in Exhibit F hereto as from time to time amended, and (e) neither the Mortgage Lender nor any other person has charged the seller of the Housing Unit or any other person any fees or charges other than those permitted by Section 3.03(c) of this Agreement, and no such fees or charges are in excess of the usual and reasonable amount charged where owner-financing is not provided through the issuance of tax-exempt bonds.

(g) In connection with the transactions contemplated by this Agreement, Lender has not directly or indirectly entered into any agreement with any other person or lending institution with respect to any aspect of its participation in the Program, other than any agreement expressly authorized by this Agreement.

(h) Lender meets the below-listed requirement with respect to each type of Mortgage Loan to be originated by Lender:

<u>Type of Mortgage Loan</u>	<u>Requirement</u>
RHS Guaranteed	Eligible lender under Section 502 Single Family Rural Housing Loan Program
FHA Insured	FHA-approved Direct Endorsement

	Mortgagee
VA Guaranteed	VA-approved mortgagee authorized to provide "Automatic" endorsement for VA guaranty
Conventional	Fannie Mae-approved seller-servicer; Or FHLMC-approved seller-servicer
GNMA	GNMA approved seller/issuer-servicer
Fannie Mae	Fannie Mae approved seller-servicer
FHLMC	FHLMC approved seller-servicer

(i) If applicable, Lender is familiar with all of the Certificate Providers' rules, regulations and Guides applicable to the origination of Mortgage Loans to be originated pursuant to this Agreement and shall use diligent, reasonable efforts to remain familiar with all rules of the Certificate Providers applicable to the origination of Mortgage Loans to be originated pursuant to this Agreement. Although the Authority or Servicer may, from time to time, provide Lender information about changes and/or possible changes in such rules, neither the Authority nor Servicer has any duty to keep Lender informed of any changes or proposed changes in Certificate Provider rules, regulations and Guides affecting the Program. Lender's failure to remain informed as to any such changes shall not relieve Lender of its obligations under this subsection.

(j) Lender shall comply (i) with respect to each FHA insured Mortgage Loan, with the National Housing Act, as amended, with all rules and regulations issued thereunder and with all applicable administrative publications, (ii) with respect to each VA Guaranteed Mortgage Loan, with the Serviceman's Readjustment Act, as amended, with all rules and regulations and Guides issued thereunder and with all applicable administrative publications, (iii) with respect to each RHS, FHA or VA guaranteed Mortgage Loan, as determined as of the date of each Purchase hereunder, with all applicable requirements of, and the "Representations and Warranties of Lender" set forth in, the GNMA Guide, (iv) with respect to each Conventional Mortgage Loan, with the Fannie Mae or FHLMC Guides, as applicable the Pool Purchase Contract, other requirements of Fannie Mae or FHLMC and any applicable PMI Insurer, and (v) any and all applicable laws governing or regulating the origination of mortgage loans, including, but not limited to, any applicable "truth in lending" or disclosure laws, and (vi) the terms, conditions, covenants, warranties and representatives contained in this Agreement and each applicable Program Notice relating to a particular Program Installment.

(k) Lender shall exercise due diligence and use its best efforts to originate Mortgage Loans, and to deliver such Mortgage Loans for purchase by the Authority or a Servicer, as the case may be, during the Delivery Term specified in the applicable Program Notice in accordance with the requirements of this Agreement.

(l) Lender shall examine the affidavits and documents required by this

Agreement and will make such investigation as it deems necessary to verify the facts stated therein and will determine such facts to be true and correct.

(m) Lender shall not knowingly take or omit to take any action or permit any action that is within its control to be taken that would impair the exclusion from gross income for federal income tax purposes of interest on any series of Bonds. Lender (including any "related person" thereof, within the meaning of Section 144(a)(3) of the Code) may purchase Bonds; however, it shall not, pursuant to any arrangement, formal or informal, purchase Bonds in an amount related to the amount of Mortgage Loans originated by Lender pursuant to this Agreement.

(n) Any review or approval by a Servicer, or by the Authority or any applicable Certificate Provider, of any Mortgage Loan or the Code compliance information in connection therewith or the issuance by the Authority of either a Certificate of Code Compliance Review or a Pool Compliance Certificate hereunder shall not relieve Lender of any responsibility or liability for the performance or nonperformance of its obligations hereunder.

(o) Lender will not collect from the Mortgagor or any other person, directly or indirectly, any points, origination fees, charges or other amounts other than the costs, fees and charges authorized by the Authority.

(p) In regard to each Program Installment under which Lender intends to participate, Lender will review the Program Notice relating to such Program Installment, and originate Mortgage Loans pursuant to the provisions of this Agreement and such Program Notice, and pay to the Authority the Program Participation Fee and the Program Installment Participation Fee specified in such Program Notice.

(q) Lender shall furnish all documents at the times and in the form as may be reasonably requested by the Authority, Servicer or other parties to the transactions contemplated hereby.

(r) From time to time Lender will report, as more fully set forth in this Agreement, information relating to the Mortgage Loans, including information required pursuant to the applicable Guide of any Certificate Provider, as appropriate, to the Authority and Servicer, and will do every act and thing which may be necessary or required to perform its duties under this Agreement.

(s) No information, statement or report furnished in writing to the Authority, Trustee or Servicer by Lender in connection with its performance under this Agreement or the Offer to Participate, and the consummation of the transactions contemplated hereby, contains or will contain any material misstatement of fact or will omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading, and all documents to be furnished by it in connection with the origination and servicing of Mortgage Loans shall comply with this Agreement, the applicable Program Notice, and all applicable laws and regulations.

(t) For purposes of this Agreement, Lender shall be acting as an agent to the

Authority and Trustee, and shall be bound to the standards and duties of conduct of an agent for the Authority and Trustee, as provided by law.

(u) Notwithstanding any other provision of this Agreement, under no circumstances shall this Agreement or the relationship between the Authority and Lender created hereby be construed as creating any fiduciary duty to Lender by the Authority or Servicer, or as granting to or creating in Lender any legal or equitable interest, right or title in or to any funds or accounts created under the Indenture.

(v) Lender shall not make a Mortgage Loan to an Ineligible Borrower. Lender shall be responsible to the Authority and to Servicer, and shall use diligent, reasonable efforts to remain familiar with all conflicts of interest rules of the Authority, and of all State and Federal laws, rules and regulations applicable to the origination of Mortgage Loans to be originated pursuant to this Agreement. Although the Authority or Servicer may, from time to time, provide Lender information about changes, and/or possible changes in such laws, rules, and regulations, neither the Authority nor Servicer has any duty to keep Lender informed as to any changes or proposed changes in such laws, rules, and regulations, that do or would prohibit Lender from making Mortgage Loans because of conflicts of interest covered by any such law, rule or regulation. Lender's failure to keep informed as to any such changes shall not relieve Lender of its obligations under this subsection.

(w) Lender's warranties, representations, covenants and agreements under this Agreement shall apply equally to each Mortgage Loan originated by each of Lender's Correspondents the same as though each of such Mortgage Loans was originated directly by Lender.

(x) Lender's warranties, representations, covenants, obligations, and agreements contained in this Agreement shall each survive (i) the execution and delivery of this Agreement to the Authority by Lender, (ii) performance by Lender of each obligation and agreement hereunder to be performed by Lender, (iii) the termination of this Agreement, regardless of the means or reasons for termination of this Agreement, and (iv) for so long as any Mortgage Loan originated by Lender or any of Lender's Correspondents remains outstanding, unpaid or not satisfied and not released of record.

ARTICLE III

RESERVATION, ORIGINATION, AND SALE OF MORTGAGE LOANS

Section 3.01. Commitment to Originate and Deliver Mortgage Loans.

(a) The provisions of this Agreement relating to the origination of Mortgage Loans and otherwise relating to Lender shall be applicable to those Lenders who have executed this Agreement, commencing as of the Effective Date, notwithstanding the date of execution hereof by any party hereto. The Authority hereby grants to Lender the non-exclusive right to originate Mortgage Loans on behalf of the Authority in accordance with the terms and conditions set out in this Agreement, and not otherwise.

(b) Lender, acting on its own behalf or through one or more agents, including each of its Correspondents, shall exercise due diligence and use its best efforts during the Delivery Term relating to each Program Installment in which it is participating to process applications for, to issue Commitments for, and to originate Mortgage Loans in accordance with this Agreement and related Program Notice and to deliver such Mortgage Loans to the Authority or the Servicer, as the case may be, for purchase at a price equal to a percentage of the principal balance thereof, plus adjustments for accrued interest and servicing fees to the purchase date, such purchase price to be specified in the related Program Notice.

Section 3.02. Mortgage Loan Eligibility Requirements. Lender shall originate only Mortgage Loans to Mortgagors for Housing Units with respect to which the eligibility requirements set forth in Article IV hereof and the applicable Program Notice are satisfied.

Section 3.03. Mortgage Loan Fees and Charges. On or before the Closing Date, Lender shall collect the amounts described below; provided, however, that such collection shall be only to the extent permitted by RHS, FHA, VA, FHLMC, GNMA or Fannie Mae, as applicable.

(a) Lender may collect a Code Compliance Fee from the Mortgagor or the seller in connection with the origination of a Mortgage Loan in an amount per Mortgage Loan as specified in the applicable Program Notice. The Code Compliance Fee shall be paid by Lender in the manner specified by the Program Notice relating to a particular Program Installment.

(b) Lender may charge the Mortgagor or the seller of a Housing Unit a customary non-refundable application fee in connection with each application for a Mortgage Loan. Upon the closing of each Mortgage Loan, such application fee shall be credited against the allowable fees and charges hereinafter described.

(c) Lender may also collect from the Mortgagor or the seller amounts to cover all of the following items paid or incurred by Lender in connection with the making of a Mortgage Loan, but only to the extent that such charges do not exceed those customarily charged in the area in connection with the origination of loans not financed through Qualified Mortgage Bonds within the meaning of the Code and are authorized by applicable provisions of RHS, FHA or VA Regulations or handbooks or the Certificate Provider Guides: (i) hazard and flood insurance premiums (to the extent not previously paid, as in the case of a condominium development where payment may be made by a homeowners association), (ii) premiums for a Policy of Title Insurance, (iii) premiums for the FHA mortgage insurance (to the extent this is not paid from proceeds of the Mortgage Loan), (iv) premiums for Private Mortgage Guaranty Insurance, plus (v) appraisal fees, abstract and attorneys' closing fees, recording or registration charges, notary fees, escrow fees, costs of credit reports and similar settlement or financing costs.

The financing costs, fees or charges to be collected hereunder by Lender shall be reviewed by the Authority and shall be disapproved if the Authority determines that they exceed the usual and customary costs that would be paid by a Mortgagor where the financing is not provided with the proceeds of Qualified Mortgage Bonds as defined in the Code.

(d) Lender shall be entitled to charge and receive from each Mortgagor or the seller of a Housing Unit upon the origination of each Mortgage Loan the applicable Origination Fee and Mortgage Loan Discount as set forth in the Program Notice relating to the applicable Program Installment.

(e) Lender shall be additionally authorized to charge and receive from the Mortgagor or the seller of a Housing Unit upon the origination of an Acquisition/Rehabilitation Loan, the Supplemental Origination Fee as set forth in the Program Notice relating to a particular Program Installment.

(f) If required by the terms of the applicable Program Notice, Lender shall disburse its own funds upon the closing of a Mortgage Loan to pay to, or on behalf of, the Eligible Mortgagor

(i) an amount equal to the Assistance Payment relating to an Assisted Loan, subject to the limitation that such Assistance Payment, stated as a percentage of the original principal amount of such Assisted Loan, shall not exceed the Assistance Payment Percentage specified in the Program Notice, and/or

(ii) an amount equal to the HOME Assistance Payment, if any, relating to a HOME Assisted Loan, subject to the limitation that such HOME Assistance Payment, stated as a percentage of the original principal amount of such HOME Assisted Loan, shall not exceed the HOME Assistance Payment Percentage specified in the Program Notice.

Amounts disbursed by Lender pursuant to this subparagraph (f), if any, shall be recovered by Lender from the Authority or the Servicer, as the case may be, upon sale of such Assisted Loan or HOME Assisted Loan to the Authority or the Servicer, as applicable.

Section 3.04. Mortgage Loan Funding Reservations. After the Effective Date of this Agreement, and upon receipt by Lender of a Program Notice from the Authority regarding the commencement of the Delivery Term relating to a Program Installment, Lender and each of Lender's Correspondents (if any) will be allowed to transmit requests (by e-mail, or other method permitted by such Program Notice) for Reservations of Bond proceeds to fund Mortgage Loans for which Lender or its Correspondent(s) has received an application. Reservations for the funding of Mortgage Loans shall be made and processed in the manner described below:

(a) To allow for ample coverage and availability of funds in Targeted Areas or in other areas of the State, the Authority reserves the right to restrict the number and frequency of Reservation requests by all Lenders, as such restrictions may be stated in a Program Notice. Otherwise, subject to such set-aside conditions and requirements stated in the Program Notice, or other appropriate formal action taken by the Authority, the Authority will take funding Reservations from Lender (and to other Lenders) on a first-come, first-served basis.

(b) Only one Mortgage Loan funding Reservation request will be accepted by the Authority per transmission unless otherwise provided in a particular Program Notice. Unless

otherwise provided, if Lender includes more than one request per transmission, the Authority shall accept only the first request listed, and all additional requests shall be disregarded by the Authority.

(c) Unless otherwise specified in the Program Notice relating to a particular Program Installment, Lender shall transmit each Reservation request by e-mail to the internet address specified in such Program Notice, utilizing the Authority's electronic reservation system that incorporates a screen matching the format of the Reservation Sheet included as Exhibit N to this Agreement.

(d) Unless otherwise specified in the Program Notice relating to a particular Program Installment, each Reservation shall remain effective for a period of ninety (90) days from the related initial Reservation date, within which period the Mortgage Loan closing must occur. Lender shall provide evidence of such Mortgage Loan closing by delivering to the Authority, before the end of the ninety (90) day Reservation Period, either a copy of the Settlement Statement (HUD-1 form) relating to the closed Mortgage Loan or a Final Compliance Package. Lender may transmit a true and correct copy of the Settlement Statement showing the appropriate signatures thereon to the Authority by any of the following means:

- (i) e-mail
- (ii) facsimile transmission
- (iii) U.S. Mail or Federal Express
- (iv) hand delivery

Section 3.05. Mortgage Loan Eligibility Review. The eligibility of a prospective Mortgagor and related Mortgage Loan and Housing Unit under a particular Program Installment and related Program Notice are to be determined according to the following procedures:

(a) Lender shall conduct its review of the eligibility of a prospective Mortgagor and the related Mortgage Loan and Housing Unit in accordance with the requirements of Article IV hereof and the Program Notice relating to the applicable Program Installment, which Program Notice shall specify the requirements of the Compliance Package applicable to Mortgage Loans to be originated under such Program Installment.

(b) Lender shall cause the completion of, and assemble the applicable Compliance Package relating to, the Mortgage Loan, which package shall contain those items set forth in the applicable Review Checklist (Exhibit I hereto).

(c) If a two-step Compliance Package is specified in the applicable Program Notice, Lender shall cause the completion of, and assemble and deliver the preliminary Compliance Package, which must be received by the Authority on or before the applicable Preliminary Compliance Package Final Delivery Date. Each such Package received after said date shall be subject to rejection by the Authority for funding of the related Mortgage Loan under the applicable Program Installment.

- (i) Within five (5) Business Days after its timely receipt of such

preliminary Compliance Package (excluding the day of such receipt), the Authority shall notify the Lender that:

(A) it has approved the Mortgage Loan for origination under the Program; or

(B) it has either rejected the preliminary Compliance Package or disapproved the Mortgage Loan for origination under the Program (in which event the Authority shall indicate the reason(s) for such rejection or disapproval).

(ii) Approval of the preliminary Compliance Package shall be in the form of a Certificate of Code Compliance Review (Exhibit H hereto) executed by the Authority to indicate preliminary approval.

(d) If a consolidated Compliance Package is specified in the applicable Program Notice, Lender shall forward the consolidated Compliance Package for receipt by the Authority on or before the applicable Final Compliance Package Final Delivery Date. Each such Package received after said date shall be subject to rejection by the Authority for funding of the related Mortgage Loan under the applicable Program Installment.

(e) Notice of approval or rejection of a two-step or consolidated Compliance Package may be by: (i) e-mail, (ii) facsimile, or (iii) telephone, immediately confirmed in writing.

(f) Lender may attempt to cure any defect in a Compliance Package and resubmit such Compliance Package to the Authority provided that the related Mortgage Loan must be closed prior to the applicable Final Closing Date and sold to the Authority or the Servicer, as the case may be, prior to the applicable Final Sale Date. No Mortgage Loan shall be funded by the Authority if there are any known, uncured defects in the related Compliance Package, and if such Mortgage Loan has been sold to the Authority or the Servicer, as applicable, pending funding by the Authority, Lender shall be obligated to repurchase such Mortgage Loan from the Authority or the Servicer at the same price paid by the Authority or Servicer.

(g) A HOME Assisted Loan that is closed by Lender without receipt of the Authority's approval of the related Compliance Package is subject to rejection by the Authority for purchase under the Program.

(h) Lender shall pay all costs of completing and delivering each Compliance Package to the Authority.

(i) The examination or approval by the Authority of the documents and other evidentiary matter contained in either the two-step Compliance Package or consolidated Compliance Package shall not constitute a waiver of any warranty, representation or covenant by Lender or the Mortgagor with respect to the Mortgage Loan to which such documents pertain.

(j) The Authority may rely upon any certificate or statement executed by any person and submitted to the Authority by Lender with respect to compliance of a Mortgagor and related Housing Unit and Mortgage Loan with the requirements of this Agreement and the applicable Program Notice, and Lender shall have full responsibility to the Authority for any inaccuracies contained in each such certificate or statement, including incidental damages.

Section 3.06. Mortgage Loan Closings, Submission and Purchase.

(a) All Mortgage Loans must be closed by Lender or its Correspondent(s) by a date no later than the Final Closing Date specified in the Program Notice relating to the applicable Program Installment.

(b) If a two-step Compliance Package is specified in the applicable Program Notice, within three (3) Business Days (not counting the Closing date) of the Closing of a Mortgage Loan (but in no event later than the applicable Final Compliance Package Final Delivery Date), Lender shall assemble and submit to the Authority the Final Compliance Package, which package shall contain those items set forth in the final Review Checklist (Exhibit I hereto).

(i) Within five (5) Business Days of its receipt of such Final Compliance Package (not counting the date of such receipt), the Authority shall notify Lender that: (i) it has approved the Mortgage Loan for purchase under the Program; or (ii) it has either rejected the Final Compliance Package or disapproved the Mortgage Loan for purchase under the Program (in which event the Authority shall indicate the reason(s) for such rejection or disapproval).

(ii) Notice of approval or rejection of the Final Compliance Package may be by (1) e-mail, (2) facsimile, or (3) telephone, immediately confirmed in writing delivered by U.S. Mail.

(iii) Lender may attempt to cure any defect in the Final Compliance Package and resubmit such Final Compliance Package to the Authority, provided that the related Mortgage Loan must be delivered to the Servicer for purchase prior to the applicable Final Sale Date. Each such package received after said Date shall be subject to rejection by the Authority for funding of the related Mortgage Loan under the applicable Program Installment.

(iv) Approval of the Final Compliance Package shall be in the form of a Certificate of Code Compliance Review (Exhibit H hereto) executed by the Authority to indicate final approval. Such approvals shall be transmitted by the Authority to Lender by e-mail or facsimile.

(c) No Mortgage Loan shall be sold by Lender to a Servicer for pooling, or be pooled by a Servicer to back a Certificate, without receipt of the related final Certificate of Code Compliance Review.

(d) As soon as practicable after its receipt from the Authority of a final Certificate of Code Compliance Review, Lender shall assemble and deliver to Servicer the related Mortgage Loan File containing those documents and other evidentiary matter listed in Exhibits C and D hereto.

(e) Mortgage Purchase Closings for the sale of Mortgage Loans to the Authority shall take place at the offices of the Authority or at such other place agreed upon by the Mortgage Lender and the Authority no less frequently than every (15) days, unless otherwise specified in the Program Notice relating to a particular Program Installment.

Section 3.07. Representations, Warranties and Covenants of Lender Concerning Mortgage Loans. Lender hereby represents and warrants to, and covenants with, the Authority, Servicer and Trustee that as of the Closing Date with respect to each of the Mortgage Loans it shall originate (or as of the Purchase Date with respect to Mortgage Loans that are either Acquisition/Rehabilitation Loans or Qualified Rehabilitation Loans):

(a) To the knowledge of Lender, based upon Lender's due diligence and best efforts, the information set forth in each Lender's Loan Closing Certificate (Exhibit J hereto) will be true and correct and each Mortgage Loan shall have been closed after the execution and delivery of this Agreement;

(b) Each Mortgage Loan (i) will be secured by a Mortgage creating a first lien (subject only to Permitted Encumbrances) on a Housing Unit that is located within the State, and (ii) will be fully documented and underwritten in accordance with prudent industry standards (in each case, where applicable, including any requirements of Fannie Mae, FHLMC, RHS, FHA, VA or PMI Insurer), (iii) will be made for the purpose of purchasing such Housing Unit subject to the related Mortgage Loan, but not for the purpose of refinancing or replacing any existing loan on any such property (other than a construction loan or similar temporary financing), (iv) will have a term equal to the term specified in the applicable Program Notice, (v) will on the Closing Date have a Loan-to-Value Ratio of not more than 95% (or such greater percentage as may be permitted by RHS, FHA, VA, the PMI Insurer or the Certificate Provider, as applicable), (vi) will be for a Housing Unit, the Acquisition Cost of which is not higher than the applicable Purchase Price Limit, and (vii) will be made to a Mortgagor or Mortgagors with an Annual Household Income that is not higher than the applicable Maximum Household Income Limit.

(c) Each Mortgage Loan will be a Conventional Mortgage Loan or be eligible for endorsement for or have a binding commitment for FHA Insurance or a VA Guarantee or a RHS Guarantee, and any such FHA Insurance or VA Guarantee or a RHS Guarantee shall be maintained in force and effect during all times Lender owns an interest in the Mortgage Loan under the Program;

(d) The Housing Unit subject to such Mortgage Loan will be the subject of a firm commitment for all required insurance issued by a Qualified Insurer and Lender shall cause such insurance to be maintained;

(e) The terms, covenants and conditions of the Mortgage Loan shall not have been and shall not prior to the Closing Date be waived, altered, impaired or modified in any respect that would materially affect the value, validity, enforceability or prompt payment of the Mortgage Loan, or the security of the lien securing the Mortgage Loan, except for such waivers, alterations and the like accomplished by Lender that do not affect any requirements of the Program necessary to preserve the exclusion from gross income of interest on the Bonds, where applicable, and which are acceptable to RHS, FHA, VA, Fannie Mae, the PMI Insurer or the Certificate Provider, as applicable;

(f) Any rehabilitation work financed by a Mortgage Loan shall be completed and for each Mortgage Loan there shall be no mechanics' or materialmen's liens or claims for work, labor or material affecting the property financed by the Mortgage Loan that are or may be a lien prior to, or equal with, the lien of the mortgage securing the Mortgage Loan subject only to the Permitted Encumbrances, and the Policy of Title Insurance shall insure against such risks;

(g) In originating such Mortgage Loan, Lender shall have originated the Mortgage Loan in accordance with acceptable mortgage lending practices of prudent lending institutions, and all statements prepared or transmitted with respect to such Mortgage Loan, including the Note and the Mortgage, shall comply with the Resolution, this Agreement, and the applicable Program Notice, and all relevant and applicable requirements of any State or federal laws, rules or truth-in-lending requirements, including in particular the Truth-in-Lending Act, the Real Estate Settlement Procedures Act of 1974, and the Equal Credit Opportunity Act;

(h) Each Mortgage Loan shall have been closed in compliance with applicable State and federal usury laws;

(i) To the knowledge of Lender, based upon Lender's due diligence and best efforts, the Mortgagor of a Mortgage Loan shall not have conveyed such Mortgagor's right, title or interest to or in the property to any party;

(j) The fees to be charged and retained by Lender in connection with the origination of each Mortgage Loan shall be in compliance with this Agreement and the applicable Program Notice;

(k) Each Mortgagor shall have executed and delivered to Lender a Mortgagor's Affidavit and Certification (recapture notice) in substantially the form attached hereto as Exhibit D-8;

(l) Except with respect to Qualified Rehabilitation Loans and Targeted Area Mortgage Loans, the Mortgagor has not had an ownership interest in a primary Housing Unit during the three-year period immediately preceding the Closing Date, to the best knowledge of Lender based upon Lender's due diligence best efforts including (i) its review of copies (either copies certified by the Mortgagor to be true and accurate or certified copies received from the Internal Revenue Service) of the Mortgagor's federal income tax returns for the three years preceding the date of execution of the Mortgage Loan (from which it has determined that the Mortgagor has not claimed a deduction pursuant to Section 164(a)(1) of the Code for taxes on real property that was the Mortgagor's principal Housing Unit or a deduction pursuant to Section

163 of the Code for interest paid on a Mortgage secured by real property that was the Mortgagor's principal housing) or (ii) its review of a signed affidavit of the Mortgagor to the effect that the Mortgagor was not required to file federal income tax returns for any portion of such three-year period, if such tax returns are not submitted by the Mortgagor to verify that the related Mortgagor's Affidavit and Certification is accurate, the Mortgagor has not had an ownership interest in a primary Housing Unit during the three-year period immediately preceding the Closing Date;

(m) To the best knowledge of Lender, based upon Lender's due diligence best efforts, the Mortgagor is not an Ineligible Borrower.

(n) The Note and the Mortgage shall have appended thereto the riders provided for in Exhibit D hereto;

(o) The seller shall have executed and delivered a Seller's Affidavit in substantially the form attached hereto as Exhibit D-7;

(p) Neither Lender nor any other person (insofar as Lender is aware) has charged, directly or indirectly, either the buyer or the seller of the Housing Unit any fee, charge or remuneration of any kind for the services provided or to be provided by Lender pursuant to this Agreement except those fees, charges and remuneration specifically provided for herein and in the applicable Program Notice;

(q) The residential unit relating to the Mortgage Loan is not a Mobile Home;
and

(r) Each Mortgage Loan shall bear interest at the appropriate Stated Rate specified in the applicable Program Notice.

(s) The unpaid principal balance on each Mortgage Loan and the interest rate thereon and all other information provided in the Lender's Affidavit in Exhibit D-9 hereto shall have been accurately stated by the Mortgage Lender.

(t) The amount of the unpaid principal balance and accrued interest, if any, is justly owed.

(u) No counterclaim, offset, defense or right of rescission exists under federal or state laws or regulations governing lending practices or otherwise that can be asserted and maintained by the Mortgagor or his or her successor(s) in interest against the Mortgage Lender or the Authority as assignee of a Mortgage Loan.

(v) Each Mortgage Loan is evidenced by a properly executed promissory note endorsed "payable without recourse to the order of Delaware State Housing Authority", a Mortgage and the other loan documents listed and set forth in Exhibit C attached hereto, all of which documents are the legal, valid and binding obligations of the makers thereof, enforceable in accordance with their terms, and all such documents for all Mortgage Loans shall have been delivered to the Authority.

(w) None of the Mortgage Loans are and at the time of delivery to the Authority at the Mortgage Purchase Closing will be thirty (30) days in arrears; nor has any such Loan been in arrears for more than thirty (30) days for the twelve (12) months prior to such delivery.

(x) The improvements upon the real property subject to each Mortgage Loan are covered by a valid and subsisting policy of homeowner's hazard insurance (including fire and extended coverage) with a maximum deductible of \$500 and otherwise conforming with the requirements of the Federal National Mortgage Association, and, if the improvements are located in an area designated as a flood area by Federal or State authorities, insurance against flood damage, to the extent available, each with an endorsement by the insurer in favor of the Mortgage Lender and its assigns or re-endorsed to the Authority, issued by a company lawfully doing business in the State, in an amount equal to the unpaid principal amount of the Mortgage Loan or such lesser amount as shall be the maximum insurable value of the improvements and shall be acceptable to the Authority, provided that such insurance shall pay in full the amount of any partial or total loss to the full amount of such insurance and shall otherwise be sufficient to prevent the mortgagor from being a co-insurer.

(y) No Mortgage Loan is subject to any existing assignment or pledge, and the Mortgage Lender has good title thereto and full right and authority to assign and transfer the same and endorse and deliver to the Authority the Mortgage Loan and all documents set forth in Exhibits C and D.

(z) To the knowledge of the Mortgage Lender, the real property covered by each Mortgage Loan shall not have been damaged by waste, fire, earthquake, windstorm, flood, tornado or other cause so as to materially adversely affect the value of the Mortgage Loan to the Authority.

(aa) The Mortgage Lender has complied as to each Mortgage Loan insured by a Qualified Private Mortgage Insurer, as defined in the Rules and Regulations of the Authority, or insured or guaranteed pursuant to Qualified Mortgage Loan Enabling Legislation with applicable policies, riders thereto, and related contracts or commitments and with the Rules and Regulations of the Authority, and such insurance and guarantees are in full force and effect and will, upon purchase of the Mortgage Loans, inure to the benefit of the Authority.

(bb) All Mortgage Loans shall carry a Policy of Title Insurance issued by a Qualified Title Insurance Company, and such title insurance policy shall name the Authority as an insured party or shall be endorsed to the Authority on the date of the Mortgage Purchase Closing.

NOTWITHSTANDING THE FOREGOING, THE AUTHORITY RESERVES THE RIGHT AT ALL TIMES TO DECLINE TO PURCHASE ANY MORTGAGE LOAN OFFERED OR SUBMITTED TO IT BY THE MORTGAGE LENDER, WHICH MORTGAGE LOAN, IN THE OPINION OF THE AUTHORITY, DOES NOT CONFORM TO THE ACT, THE RULES AND REGULATIONS OF THE AUTHORITY WITH RESPECT TO THE PURCHASE OF MORTGAGE LOANS, SECTION 143 OF THE CODE, OR THIS

AGREEMENT.

Each of the representations, warranties and covenants set forth in this Section and elsewhere in this Agreement shall survive the origination of the Mortgage Loans by Lender and shall inure to the benefit of the transferees and the assigns of the Authority or the Trustee, which, under the Resolution, include the Owners of the Bonds. Upon discovery at any time by the Authority, Trustee, Servicer or Lender of a breach of any of the foregoing representations, warranties and covenants that may materially and adversely affect the value of any Mortgage Loan or the interest of Lender or the Authority in any Mortgage Loan or the exclusion from gross income for federal income tax purposes of interest on the Bonds, the party discovering such breach shall give prompt written notice to each of the other Parties hereto, or to their respective successors or assigns. Within thirty (30) days (or such shorter period of time as may be required by law) of its discovery or its receipt of notice of breach, Lender shall cure such breach in all material respects or shall repurchase the Mortgage Loan in the manner, at the purchase price and subject to the terms set out in Section 3.16 hereof.

Section 3.08. Code and Program Requirements. The Authority and Lender shall each perform their respective duties in accordance with this Agreement for the purposes of reviewing and examining all affidavits, certificates, tax returns and other information submitted pursuant to and in accordance with this Agreement in order to determine compliance of the Mortgage Loan, the Mortgagor and the Housing Unit with all requirements of the Act and Section 143 of the Code; and the Authority and Lender shall take all steps necessary or appropriate to assure that the Mortgage Loans, the Housing Units financed thereby and the Mortgagors meet all the requirements of this Agreement and the applicable Program Notice before the Mortgage Loans are executed or assumed and to correct as provided herein any failure to meet such requirements as soon as possible after discovery of such failure. Lender shall deliver to the Authority the documents called for by Sections 3.05 and 3.06 with respect to each Mortgage Loan originated by Lender. Based on such documents, the Authority shall verify that the Mortgage Loan, the Mortgagor, and the Housing Unit meet the requirements of the Code (as specified in this Agreement), this Agreement, and the applicable Program Notice in all respects.

Section 3.09. Loan Closing Deadline; Extension. As provided by Section 3.04(d) hereof, unless otherwise specified in the Program Notice relating to a particular Program Installment, each Mortgage Loan closing shall occur within the 60-day period immediately following the related Reservation date. If a Mortgage Loan closing has not occurred by such Loan Closing Deadline, the Authority shall inform Lender in writing (such writing to be delivered by either e-mail or by facsimile) that the related Reservation of funds will be cancelled and the Mortgage Loan will not be funded by the Authority unless Lender remits to the Authority within five (5) Business Days of such written notice, a refundable Extension Fee in an amount equal to the amount specified in the applicable Program Notice. Such Extension Fee will (a) be refunded to Lender if the Mortgage Loan closing occurs on or before the Final Closing Date specified in the applicable Program Notice, or (b) become non-refundable, and the related Reservation permanently cancelled, if the Mortgage Loan closing does not occur on or before the Final Closing Date.

Section 3.10. Secondary Financing. Notwithstanding any other provision contained in this Agreement, nothing contained herein shall preclude the Mortgagor who has

purchased a Housing Unit and for which a Mortgage Loan was originated by Lender from the granting, on or after the Closing Date, of any second mortgage or other lien or mortgage instrument that is junior to the lien created by the applicable Mortgage Loan; provided, however, that the creation of any such subordinated lien shall have been approved by Lender, Servicer, RHS, FHA, VA, or a Certificate Provider or PMI insurer, as may be required by the terms of such Mortgage Loan.

Section 3.11. Lender's Correspondents. Lender, acting unilaterally, may enter into a Correspondent Lender Designation Agreement with the Authority whereby Lender may designate one or more Correspondents of Lender to originate Mortgage Loans on behalf of Lender under this Agreement, provided that Lender must purchase each Mortgage Loan originated by such Correspondents before each such Mortgage Loan is sold by Lender to the Authority or a Servicer, as the case may be. Lender's warranties, representations, covenants and agreements contained in this Agreement shall apply equally to each Mortgage Loan originated by each of Lender's Correspondents, the same as though each of such Mortgage Loans was originated directly by Lender.

Section 3.12. Continuous Service. The Authority hereby engages Lender and Lender hereby agrees to service each of the Mortgage Loans it originates pursuant to this Agreement and each applicable Program Notice until each of the Mortgage Loans has been transferred to Servicer, or such servicing duties are terminated as provided herein. During such period of time, Lender will perform all servicing duties at its sole expense, except as otherwise expressly provided for herein.

Section 3.13. Sale of Mortgage Loans. Lender understands and agrees that notwithstanding anything herein to the contrary, on or before the Final Sale Date relating to any applicable Program Installment, the Authority, in its sole and absolute discretion, may require Lender to sell any Mortgage Loans that have not yet been pooled to form the basis of a Certificate, to the Authority or any Servicer designated by the Authority, as the case may be, for a purchase price equal to the Mortgage Loan Purchase Price specified in the Program Notice relating to a particular Program Installment.

The Authority shall not be obligated to purchase or cause the purchase of any Mortgage Loan for which the Purchase Date does not occur on or before the Final Sale Date specified in the applicable Program Notice relating to a particular Program Installment. The Authority may, in its sole discretion, elect to purchase or cause the purchase of a Mortgage Loan after the applicable Final Sale Date, subject to the imposition of a Late Delivery Penalty Fee in an amount equal to the product of (a) one fourth of one percent (0.25%) times (b) the original principal amount of such Mortgage Loan times (c) the number of calendar months and any fraction thereof between the Final Sale Date and the related Purchase Date. Such Late Delivery Penalty Fee may be deducted from the applicable Mortgage Loan Purchase Price specified in the applicable Program Notice relating to a particular Program Installment.

Section 3.14. Defective Documents. (a) Notwithstanding the review of the Mortgage Loan File and accompanying documents by the Authority and/or delivery of a Certificate of Code Compliance Review by the Authority pursuant to Sections 3.05 and 3.06 hereof, if at any time any document or documents constituting a part of a Mortgage Loan File

are, in the reasonable opinion of the Authority, Servicer or Trustee, defective or inaccurate in any material respect, Lender shall cure the defect or inaccuracy within thirty (30) days (or such shorter period of time as may be required by law) from the time Trustee, Servicer, or the Authority notifies it of the existence of such defect or inaccuracy. Lender hereby covenants and agrees as to all Mortgage Loans originated by it that, if any such material defect cannot be cured to the satisfaction of the Authority, Servicer or Trustee within such thirty (30)-day period (or such shorter period of time as may be required by law), it shall indemnify and hold harmless the Authority, Servicer and Trustee for any and all loss, damage or expense (including attorneys' fees) incurred by them in connection with any challenge to, or loss of, the tax-exempt status of the Bonds arising out of such defect, inaccuracy, non-delivery or unauthorized assumption. On or before the expiration of the cure periods as set forth above, Lender shall purchase the affected Mortgage Loans from the Authority of the Servicer or the applicable Certificate Provider (if any), as the case may be, for its own account at a price equal to the outstanding principal balance thereof plus accrued interest thereon, and, if applicable, Trustee and Servicer shall consider such purchase to be a prepayment of a Mortgage Loan within the Mortgage Loan Pool backing a Certificate.

(b) Notwithstanding the foregoing, in any case of defect, inaccuracy or misrepresentation in a Mortgagor's Affidavit and Certification (Exhibit D-8) pertaining to a requirement of the Code or the Act, Lender shall, where such defect, inaccuracy or misrepresentation constitutes a default under a Mortgage Loan that has not been purchased by the Authority or the Servicer, as the case may be, with respect to which RHS, FHA, VA or a PMI Insurer, whichever is applicable, provides coverage, proceed to declare all sums the payment of which is secured thereby to be immediately due and payable and to take all steps necessary to collect benefits pursuant to RHS, FHA, VA, or PMI Insurer, whichever is applicable.

Section 3.15. Prohibition Against Discrimination. Lender will consider all applications for Mortgage Loans in the order in which they are received on a fair and equal basis, and will not, other than as required by this Agreement, reject an application because of the location and/or age of the property, and, in the case of a proposed Mortgagor, will not vary the terms of a loan or the application procedures therefor, or reject a potential Mortgagor because of any factor determined to be discriminatory under any federal or State anti-discrimination law, rule or regulation. Except as may otherwise be expressly provided in this Agreement or in the applicable Program Notice, Lender shall not 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. In accepting, evaluating, and acting upon such applications, Lender shall comply, if applicable, with the Federal Equal Credit Opportunity Act and Regulation B promulgated thereunder. All applications for Mortgage Loans and evidence of actions taken with respect thereto shall be retained by Lender for three (3) years from the date of the application.

Section 3.16. Repurchase by Mortgage Lender. The Mortgage Lender hereby covenants and agrees that it will repurchase any Mortgage Loan purchased hereunder by the Authority or the Servicer, as the case may be, at a price equal to (i) 100% of the principal remaining unpaid on such Mortgage Loan plus accrued interest thereon to the date of the repurchase, plus (ii) the aggregate amount of any advances made by the Authority for the account of the Mortgagor and interest thereon at the Mortgage Loan interest rate plus (iii) any

attorneys' fees, legal expenses, court costs or other expenses that may have been incurred by the Authority in connection with such Mortgage Loan if any of the following shall occur:

(a) At any time after the Mortgage Purchase Closing, the Authority determines with respect to such Mortgage Loan that any representation herein was untrue when made (including any information with respect to any Mortgage Loan Document in Exhibit D), any warranty or term hereunder has been breached, or a misstatement of a material fact by the Mortgage Lender (or by any party if the misstatement adversely affects the Mortgage Loan's eligibility for purchase by the Authority under Section 143 of the Code).

(b) The Authority determines, at any time, that a misrepresentation of a material fact by the Mortgage Lender (or by any party if the misrepresentation adversely affects the Mortgage Loan's eligibility for purchase by the Authority under Section 143 of the Code) exists in any of the documents for such Mortgage Loan listed in Exhibits C, D, or J other than a misrepresentation arising from a defect in any form of document provided by the Authority.

(c) Any mortgage insurance or guaranty with respect to such Mortgage Loan shall lapse at any time during the term of the Mortgage Loan due to negligence on the part of the Mortgage Lender or its assigns.

(d) the Authority suffers, or is threatened with, a material loss by reason of the misfeasance, nonfeasance or malfeasance of the Mortgage Lender or its assigns.

Any such repurchase by the Mortgage Lender shall take place on such date as the Authority may specify in its notice to the Mortgage Lender of the occurrence of one or more of the foregoing events, but not less than ten (10) days from the date of such notice. Upon repurchase, the Authority shall reassign its interest in all appropriate Mortgage Loan documents to the Mortgage Lender.

The Mortgage Lender shall indemnify the Authority against and hold the Authority harmless from any loss, damage, and expenses that the Authority may sustain as a result of the occurrence of any of the events mentioned in paragraphs (a) through (d) of this Section.

ARTICLE IV

MORTGAGOR, MORTGAGE LOAN AND HOUSING ELIGIBILITY REQUIREMENTS

Section 4.01. Applicability of Eligibility Requirements. Each Mortgage Loan shall be made only to a Mortgagor who meets, and only with respect to Housing Unit that meets, the eligibility requirements specified in Sections 4.02 through 4.05 hereof.

Section 4.02. Mortgagor Eligibility Requirements. The eligibility requirements for a Mortgagor shall include those requirements set forth below:

(a) Each Mortgage Loan shall be made to a Mortgagor who intends to occupy

a Housing Unit as his or her principal place of housing within sixty (60) days after the Closing Date of the Mortgage Loan, and thereafter to maintain the property as his or her principal Housing, and who has no present intention to, and has not entered into any arrangement to, rent, sell, assign or transfer the Housing Unit.

The following shall not be considered to be a principal place of housing and shall not be financed with a Mortgage Loan: (i) a Housing Unit more than 15% of the total area of which is reasonably expected or that is otherwise primarily intended to be used in a trade or business (i.e., qualifying for a deduction for expenses for business use of home under Section 280A of the Code), (ii) a Mobile Home, (iii) a Housing Unit used as investment property, or (iv) a Housing Unit used as a recreational home.

(b) Except in the case of Targeted Area Mortgage Loans and Qualified Rehabilitation Loans, each person executing the Mortgage (but not the Mortgage Note, that may be co-signed by a person who is not a First Time Homebuyer if such person will not have an ownership interest in the Housing) and to whom financing is provided by the Mortgage Note, must be a First Time Homebuyer. Each such person must not have had a present ownership interest in a principal Housing Unit at any time during the three year period prior to the date of application for such Mortgage Loan. For purposes of the preceding sentence, Mortgagor's interest in the Housing Unit with respect to which the financing is being provided is not taken into account if such Mortgagor's interest in the Housing Unit was acquired with the proceeds of a bridge loan or construction loan with a term not exceeding twenty-four (24) months.

In the event that there is more than one Mortgagor signing the Mortgage with respect to a particular Housing Unit, each of such Mortgagors must be a First Time Homebuyer. A person who is liable under the Mortgage Note secured by the Mortgage, but who does not have a present ownership interest in, and will not occupy, the Housing Unit subject to the Mortgage, need not be a First Time Homebuyer. For example, where a parent of a home purchaser co-signs the Mortgage Note for a child but the parent takes no ownership interest in the Housing Unit, nor plans to occupy the Housing Unit, it is not necessary that the parent meet the First Time Homebuyer requirement since the parent is not a Mortgagor of the Housing Unit. Examples of ownership interests that constitute present ownership interests (and thus would result in a potential home purchaser failing to meet First Time Homebuyer requirements) are set forth in Section 4.04 hereto.

For Mortgage Loans other than Non-Targeted Area Mortgage Loans and Qualified Rehabilitation Loans, the Lender shall (i) obtain from the applicable Mortgagor copies of Mortgagor's signed federal income tax returns that were filed with the Internal Revenue Service ("IRS") for the each of the preceding three (3) years prior to the year in which the Closing occurs for which tax returns were required to have already been filed, and (ii) examine each return to determine whether any Mortgagor has claimed a deduction for taxes or interest on indebtedness with respect to the real property constituting the principal Housing Unit of any of the Mortgagors during the three (3) years prior to the scheduled Closing Date. If any such deduction was claimed, Lender shall reject the application for a Mortgage Loan as non-qualifying.

If copies of such tax returns were not retained by Mortgagor(s), and if

Mortgagor(s) filed 1040A forms, Lender need not review any copies of the tax returns, but may request a confirmation from the IRS. If copies were not retained and the Mortgagor either filed 1040 forms or does not remember whether he or she only filed 1040A forms, copies may be obtained from the IRS but they need not be certified. [IRS Rev. Proc. 82-16, 1982-1 C.B. 461]

If the Mortgagor was not required to file federal income tax returns for any year within the three (3)-year period defined in this Section 4.02(b), the Mortgagor must execute an affidavit and certification to that effect. (Mortgagor's Affidavit and Certification, Exhibit D-8, satisfies such requirement.)

Lender shall also obtain an affidavit of each Mortgagor that such Mortgagor did not have any present ownership interest in a principal Housing Unit at any time during the three (3)-year period prior to the date on which the Mortgage is executed. (Exhibit D-8.) See Section 4.04, below.

NOTWITHSTANDING ANY OTHER PROVISION CONTAINED HEREIN, IF THE SINGLE FAMILY HOUSING IS TO BE FINANCED WITH A QUALIFIED REHABILITATION LOAN OR IS LOCATED IN A TARGETED AREA, THE MORTGAGOR NEED NOT BE A FIRST TIME HOMEBUYER, NOR MUST THE EXAMINATION BY LENDER OF FEDERAL INCOME TAX RETURNS WITH RESPECT TO SUCH MORTGAGOR BE CONDUCTED.

Lender shall inspect the Single Family Housing Unit prior to Closing of the Mortgage Loan to determine whether it: (i) constitutes a completed residential housing unit that is not a Mobile Home, (ii) contains land in excess of normal requirements, (iii) shows evidence of use or design for use in a trade or business of the Mortgagor, and (iv) is occupied by the Mortgagor as the Mortgagor's principal Housing Unit; and make any other examinations or investigations deemed necessary or advisable by the Authority to preserve the exclusion from gross income for federal income tax purposes of the interest on the Bonds and to determine that all of the requirements for the origination of Mortgage Loans, as set forth in this Agreement, have been met.

(c) The Mortgagor's Affidavit and Certification shall not have been executed prior to the Mortgagor's loan application nor more than four (4) months prior to the Closing Date.

(d) The Mortgagor shall not be an Ineligible Borrower.

(e) The Mortgagor's Annual Household Income does not exceed the Maximum Household Income Limit.

(f) The Mortgagor or Mortgagors shall not have previously obtained a Commitment for a Mortgage Loan under the Program.

A person other than the Mortgagor who is liable on a Mortgage Note need not meet the requirements of this Section, provided that such person executes and provides to Lender his or her declaration under penalty of perjury an affidavit that (i) he or she is executing the Note

solely for purposes of providing additional security, (ii) he or she has no other financial or ownership interest in the property subject to the Mortgage Loan, and (iii) he or she has no intention to, and will not, occupy the premises subject to the Mortgage Loan at any time.

Section 4.03. Mortgage Loan Requirements. The eligibility requirements for a Mortgage Loan shall include those requirements set forth below:

(a) Each Mortgage Loan shall bear interest at the Stated Rate specified in the applicable Program Notice, as the same may be adjusted subsequently by the Authority, and be made in accordance with Lender's current industry standard underwriting and servicing policies and procedures as are applicable in each case to RHS Mortgage Loans, FHA Mortgage Loans, VA Mortgage Loans and Conventional Mortgage Loans. In addition, each Mortgage Loan shall be a Level Payment Mortgage Loan, the payment on which shall commence: (i) on the first day of the month following the Closing Date, if the Closing Date is on the first day of a month, or (ii) on the first day of the second month following the Closing Date, if the Closing Date is after the first day of a month, and continue on the first day of each successive month. Interest shall be paid in arrears. Escrow payments with respect to each Mortgage Loan are to be paid monthly in an amount sufficient to enable Lender or, if applicable, Servicer to pay all taxes, leasehold payments (if any), and insurance premiums, when due.

(b) No Mortgage Loan shall (i) have been made for the purpose of interim construction or other temporary financing, or (ii) be used to finance a Housing, the work or structure of which was constructed at a site other than the site of its permanent foundation unless such Mortgage Loan would be acceptable for purchase by a Certificate Provider.

(c) Lender shall comply: (i) as to each VA Mortgage Loan, with the Servicemen's Readjustment Act, as amended and supplemented, and all rules and regulations issued thereunder, (ii) as to each FHA Mortgage Loan, with the National Housing Act, as amended and supplemented, and all rules and regulations issued thereunder, (iii) with respect to each RHS Mortgage Loan, with the Section 502 Guaranteed Single Family Rural Housing Loan Program, as amended and supplemented, all rules and regulations issued thereunder, and (iv) with respect to each Conventional Mortgage Loan, with the applicable requirements of the PMI Insurer and the Certificate Provider, if any.

(d) (i) No part of the Mortgage Loan proceeds shall be used to acquire or replace an existing mortgage (other than construction period loans, bridge loans, or similar temporary financing having an aggregate term of 24 months or less) and the Mortgage Loan must be to persons who did not have a mortgage (whether or not paid off) on the Housing Unit securing the Mortgage Note at any time prior to the execution of the Mortgage.

(ii) The Lender shall make reasonable investigations regarding the requirements of paragraph (i) that will include reviewing the abstract of title or checking with the title insurance company, and reviewing the closing statement and the identities of persons receiving funds at the Mortgage Closing. Lender must require an affidavit of the Mortgagor (which is included in the Mortgagor's Affidavit and Certification which is attached as Exhibit D-8) that this requirement has been met. This paragraph is subject to paragraph (9) of the Mortgagor's Affidavit and Certification - Part I (Exhibit D-8) relating to certain construction

period loans.

(e) Each Mortgage Loan shall: (i) be secured by a first lien Mortgage on a Housing Unit the Acquisition Cost of which does not exceed the Purchase Price Limits; (ii) be made to a Mortgagor for the purchase of a Housing Unit, which Mortgagor's Annual Household Income does not exceed the Maximum Household Income Limits; (iii) bear interest at the Stated Rate, as the same may be adjusted by the Authority; (iv) provide for approximately level debt service payments of principal and interest based on the authorized principal amount thereof; (v) have a term equal to thirty (30) years or such shorter period as may be specified in the applicable Program Notice; (vi) not be used to acquire or replace an existing mortgage (other than a construction loan or similar temporary financing not exceeding 24 months in duration); (vii) be made to a Mortgagor who is a First Time Homebuyer (except that Qualified Acquisition/ Rehabilitation Mortgage Loans or Mortgage Loans in Targeted Areas are not required to be made to First Time Homebuyers) and otherwise comply with the requirements of Section 4.02 hereof; (viii) be fully documented and underwritten in accordance with prudent industry standards; (ix) with respect to RHS, FHA and VA Mortgage Loans, be in an amount permitted by RHS, FHA or VA respectively; (x) be made to a Mortgagor who has not previously obtained a Commitment for a Mortgage Loan under the Program; and (xi) be a Conventional Mortgage Loan or a RHS, FHA, or VA Mortgage Loan.

(f) The seller of a Housing Unit the purchase of which is being financed by a Mortgage may buy down the interest rate on the Mortgage Loan as an inducement to the Mortgagor to purchase the Housing Unit, but only if: (i) approved by FHA and acceptable to the Certificate Provider, all as applicable, with respect to FHA Insured Mortgage Loans, (ii) approved by VA and acceptable, to the Certificate Provider, all as applicable, with respect to VA Guaranteed Mortgages, (iii) approved by RHS and acceptable to the applicable Certificate Provider, all as applicable, with respect to RHS Guaranteed Mortgages, or (iv) approved by the applicable PMI Insurer and acceptable to the Certificate Provider, all as applicable, with respect to Conventional Mortgage Loans.

(g) The principal amount of a Mortgage Loan shall not exceed the maximum percentage of the Property Value acceptable to RHS, FHA, VA or the PMI Insurer, as applicable; nor may the principal amount of the Mortgage Loan exceed the amount permitted by a Certificate Provider for inclusion in a Pool under the Certificate Provider Guide, if applicable.

Section 4.04. Prior Ownership Interest in a Principal Housing.

(a) For the purpose of determining whether an applicant for a Mortgage Loan is a First Time Homebuyer, except as provided below in Section 4.04(c), a Mortgagor's interest in the Housing Unit with respect to which the Mortgage Loan is being provided shall not be taken into account.

(b) If a Housing Unit is resold, each Mortgagor who assumes the related Mortgage Loan must not have had a present ownership interest in a principal Housing Unit at any time during the three (3)-year period prior to the date on which the Mortgage Loan is assumed (unless the Housing Unit, at the time of the assumption of the Mortgage Loan is in a Targeted Area).

(c) The following constitute present ownership interests:

- (i) a fee simple interest;
- (ii) joint tenancy, tenancy-in-common, tenancy by the entirety or community property interest;
- (iii) the interest of a tenant-shareholder in a cooperative;
- (iv) a life estate;
- (v) a land contract (i.e., a contract pursuant to which possession and the benefits and burdens of ownership are transferred, even though legal title is not transferred until some later time);
- (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; and
- (vii) a lease with an option to purchase for a nominal sum.

(d) Examples of interests that do not constitute present ownership interest (and thus would not result in a potential home purchaser's failing to meet First Time Homebuyer requirements) are the following:

- (i) a remainder interest;
- (ii) a lease with or without an option to purchase;
- (iii) a mere expectancy to inherit an interest in a principal Housing Unit;
- (iv) the interest that a purchaser of a Housing Unit acquires on the execution of a purchase contract; and
- (v) an interest in other than a principal Housing Unit during the prior three (3) years. (For example, a person would not fail to meet the First Time Homebuyer requirements because such person owns rental property or a mobile home or factory-built housing that is not permanently affixed to real property.)

Section 4.05. Housing Unit Requirements; Acquisition Cost Limitation. The eligibility requirements for a Housing Unit shall include the following:

(a) The Housing Unit must meet all of the requirements contained in the definition of the term "Housing Unit" as such definition appears in Section 1.01 of this

Agreement.

(b) If the Housing Unit is a New Housing Unit, it must not have been previously occupied except by the Mortgagor on an interim rental basis (at rents not exceeding fair rental value as reasonably determined by Lender) pursuant to a temporary rental agreement with the seller pending the Closing of the Mortgage Loan.

(c) The Acquisition Cost of the Housing Unit that is to be purchased with the proceeds of such Mortgage Loan may not exceed the applicable Purchase Price Limit as of the date the commitment was made to provide the Mortgage Loan. In determining the Acquisition Cost of a Housing Unit, Lender shall refer to the definition of Acquisition Cost below, complete an Acquisition Cost Worksheet contained in the Mortgagor's Affidavit and Certification (Exhibit D-8) and obtain an affidavit of seller (Exhibit D-7) in connection with each Mortgage Loan.

(d) The Acquisition Cost shall include the following:

(i) all amounts paid, either in cash or in kind, by the Mortgagor (or related party or for the benefit of the Mortgagor) to the seller (or a related party or for the benefit of the seller) as consideration for the Housing Unit (including the amount of any lien or assessment to which the Housing Unit is subject);

(ii) if a Housing Unit is incomplete, the reasonable cost of completing the Housing Unit whether or not the cost of completing construction is to be financed with the Mortgage Loan; for example, where a Mortgagor purchases a home that is so incomplete that occupancy of the home is not permitted under local law, the Acquisition Cost includes the cost of completing the home so that occupancy of the home is permitted;

(iii) in the case of a Qualified Acquisition/Rehabilitation, the Acquisition Cost shall include all costs of rehabilitation to be financed by the Mortgage Loan, regardless of the status of permitted occupancy;

(iv) if the Housing Unit is purchased subject to a ground rent, the capitalized value of the ground rent calculated using a discount rate equal to the yield on the Bonds as specified in a notice of rate and allocation and assuming semiannual compounding.

(e) The Acquisition Cost shall not include the following:

(i) the usual and reasonable settlement or financing costs, including title and transfer costs, title insurance, survey fees or other similar costs, credit reference fees, legal fees, appraisal expenses, points that are paid by the Mortgagor (but not the seller, even though borne by the Mortgagor through a higher purchase price) or other costs of financing the Housing Unit (including the initial FHA insurance cost), but only in each case to the extent that the amounts do not exceed the usual and reasonable costs

that would be paid by the Mortgagor where financing is not provided through the use of tax-exempt bonds;

(ii) the value of services performed by the Mortgagor or members of the Mortgagor's family, including only the Mortgagor's brothers and sisters (whether by the whole or half blood), spouse, ancestors and lineal descendants in completing the Housing Unit; and

(iii) the cost of land that has been owned by the Mortgagor for at least two (2) years prior to the date that construction of the Housing Unit begins.

(f) Lender must require affidavits (with form of Exhibits D-8 and D-7 attached hereto) of both the Mortgagor and the seller of the Housing Unit regarding the Acquisition Cost. Lender's reasonable investigation relating to such affidavits shall include reviewing a copy of the contract of sale of the related Housing Unit and documents executed by the Mortgagor and the seller at the closing of the Mortgage Loan.

Section 4.06. Verification by Lender That Eligibility Requirements are Met.

(a) Lender shall exercise best efforts due diligence to establish such procedures as are necessary to reasonably assure the compliance of each Mortgage Loan, Housing Unit and Mortgagor with the requirements of this Article. Such procedures shall include, without limitation (i) reviewing and examining the Mortgage Loan application of each potential Mortgagor, and (ii) performing the other verification procedures set forth in this Article, to determine whether such person and the Housing Unit being purchased by such person and financed with the Mortgage Loan meet the requirements of this Article. In addition, Lender shall establish such other procedures and conduct such other investigations as are necessary to reasonably assure Lender of the accuracy and veracity of the information contained in the Mortgage Loan application of such potential Mortgagor, and to otherwise assure Lender that said requirements are met, including, without limitation, completing the Lender's Affidavit in the form of Exhibit J hereto and obtaining the following affidavits and certificates, together with any exhibits, attachments or verifications required thereby:

(i) from each Mortgagor, a Mortgagor's Affidavit and Certification in the form of Exhibit D-8 hereto, the contents of which said Lender shall explain to such Mortgagor, together with the consequences of any material misstatement made therein or omission therefrom.

(ii) from each seller of a Housing Unit, a Seller's Affidavit and Certification in the form of Exhibit D-7 hereto.

Lender shall compare the affidavits, certificates and other information obtained pursuant to this subsection (a) and otherwise pursuant to this Section 4.06 for internal consistency and shall verify the statements contained in such affidavits, certificates and other information for completeness and accuracy by undertaking the procedures set forth in this

Article and any other procedures which said Lender deems necessary or advisable.

(b) Lender shall verify that the income limitations set by Section 4.02 are not exceeded by examining the income figures set forth in the following documents:

(i) the Mortgagor's Affidavit and Certification;

(ii) current wage statements of the Mortgagor and all other persons intending to reside permanently in the Housing Unit;

(iii) the Mortgagor's most recent tax return, if any, obtained by Lender pursuant to subsection (b) of Section 4.02 hereof; and

(iv) any other information possessed by Lender.

(c) To the extent required by this Agreement, Lender shall verify that each Mortgagor has not had an ownership interest in a principal Housing Unit during the three (3)-year period prior to execution of the Mortgage as described above in this Article IV.

(d) Lender shall verify that the Acquisition Cost of the Housing Unit does not exceed the limitation specified in Section 4.05 hereof by:

(i) computing the Acquisition Cost and comparing said amount with the total on the acquisition cost worksheet employed by Lender, as verified by reference to the Mortgagor's Affidavit and Certification, the Seller's Affidavit and Certification; and

(ii) verifying that the Acquisition Cost is less than the applicable Purchase Price Limit.

Section 4.07. Reporting. Lender will cooperate and provide the Authority and Trustee with any other information regarding the Mortgage Loans as reasonably requested by the Authority and Trustee, including but not limited to information necessary for the Authority to: (i) monitor the origination of Mortgage Loans under any Program Installment, and (ii) comply with disclosure guidelines generally applicable to the Authority relating to mortgage revenue bonds.

ARTICLE V

OTHER COVENANTS OF LENDER

Section 5.01. Merger or Consolidation of Lender. Subject to the requirements of Sections 2.02(b) and 6.02, any entity into which Lender may be merged or consolidated, or any entity resulting from any merger, conversion or consolidation to which Lender shall be a party, or any entity succeeding to the business of Lender from such merger or consolidation, shall be the successor to such Lender hereunder without the execution or filing of any document or instrument or any further act on the part of the parties hereto.

Section 5.02. Changes in Organization; Bankruptcy; Fraud. Lender shall immediately notify the Authority and Trustee of any voluntary or involuntary proceedings that might result in bankruptcy, reorganization, dissolution, liquidation, the appointment of a trustee or receiver, an assignment for the benefit of creditors, or Lender's having its activities restructured in any manner related to its performance or material obligations hereunder by any government agency. Lender shall promptly notify the Authority and Trustee of all cases of embezzlement, fraud and criminal or dishonest acts of any employee, officer or agent related to or having an effect on the Authority's or Trustee's respective rights with respect to any Mortgage Loan originated hereunder or serviced pursuant to the Mortgage Servicing Master Agreement, or of the cancellation or nonrenewal of fidelity bonding or errors and omissions insurance coverage relating to or having an effect upon the Authority's and Trustee's respective rights with respect to any Mortgage Loan made or serviced pursuant to the Mortgage Servicing Master Agreement hereunder.

Section 5.03. Facilities; Property. Lender shall keep all Mortgage Loan files and related documents and records held pursuant hereto with the same care exercised by private institutional mortgage investors for their own investments. Lender shall bear the entire cost of restoration of any files, documents and records relating to Mortgage Loans damaged or lost from any cause while such files are held by it.

Section 5.04 Mortgage Loan File. Lender shall retain and maintain the Mortgage Loan File with respect to each Mortgage Loan purchased by the Authority or Servicer, as the case may be, for a minimum of seven (7) years from the date the Mortgage Loan is fully paid or otherwise terminated. Each such File shall be clearly marked to indicate (i) that the Mortgage Loan is associated with the Program, and (ii) the loan number applicable to such Mortgage Loan.

Section 5.05. Ownership; Confidentiality. All files and records maintained by Lender hereunder, whether or not developed or originated by Lender, shall be the property of the Authority and Trustee and shall be delivered to the Servicer, the Authority, or Trustee upon the written request of any such party with the consent of the Authority. Lender shall not destroy the contents of any such files or records without the prior written consent of either the Authority or Trustee (unless such is customary for Servicer in its normal servicing activities and Lender has made other arrangements for the retention of the information contained therein for as long as is customary). Lender shall protect the confidentiality of all files and records maintained pursuant to this Agreement.

Section 5.06. Access to Certain Documentation and Information. Lender shall each keep proper books, records and accounts, and in accordance with any applicable Certificate Provider Guide, and in which complete and correct copies of all certificates and documents required to be filed with it hereunder shall be maintained and preserved for a reasonable period of time. Lender shall make such books and records available for inspection by the Authority, Trustee or the Servicer during reasonable hours and under reasonable conditions. The Authority or the Trustee shall have the right to require Lender to furnish said documents as the Authority or the Trustee, in their sole discretion and from time to time, deem necessary to determine that the provisions of this Agreement have been complied with and to satisfy the Authority's statutory record keeping requirements. Lender shall provide to Trustee, the Certificate Provider, if any,

and the Authority and their respective examiners and supervisory agents access to the documentation regarding the Mortgage Loans requested by them, such access being afforded without charge but only upon reasonable request and during normal business hours at the designated office of Lender.

Section 5.07. Conflicts of Interest; Lender's Access to Privileged Information Concerning Mortgagor's Accounts. Through normal origination activities, including the servicing of delinquencies, Lender may sometimes obtain privileged information concerning the Mortgagors and their Housing Unit. Such privileged information may not be used by Lender or by its officers, employees, agents or affiliates, in any way that can be construed to represent a conflict of interest or an unfair advantage to the user. All such information must be used in a manner consistent with any applicable laws or regulations regarding disclosure of credit information.

Section 5.08. Modification. Lender will not modify, release, waive, change or amend any term or condition of any document attached as an Exhibit to this Agreement without the prior written consent of the Authority and Trustee. The Authority may modify Exhibits to this Agreement upon the approving opinion of nationally recognized bond counsel, unless such modifications are for the purpose of clarification or correction of an error or to improve the utility of the Exhibit or otherwise improve the operation of the Program, in which event such bond counsel opinion is not required.

Section 5.09. Lender Not to Resign. Lender shall not resign from its obligations and duties hereby imposed on it except upon determination that its duties hereunder are no longer permissible under applicable law. Any such determination permitting the resignation of Lender shall be evidenced by an opinion of counsel satisfactory to the Authority to such effect delivered to the Authority, Servicer and Trustee. No such resignation shall become effective until such resignation has been accepted in writing by the Authority, which acceptance shall not be withheld unless for cause.

ARTICLE VI

INVOLUNTARY TERMINATION OF LENDER; LIABILITIES OF PARTIES; REMEDIES

Section 6.01. Liability of Lender. Lender shall be liable under this Agreement and each applicable Program Notice only to the extent that warranties and representations are made by, or obligations are explicitly imposed upon, Lender.

Section 6.02. Involuntary Termination of Lender. Upon the happening of any one or more of the following events, the Authority may terminate this Agreement with respect to Lender and shall be entitled to take whatever action at law or in equity as may be necessary or desirable to (i) collect any amounts due or to become due hereunder or other damages, or (ii) enforce performance and observance of any obligation, agreement or covenant hereunder:

(a) Any representation or warranty of Lender to the Authority, Trustee or Servicer shall be false or, during the term of this Agreement, shall become false in any material respect;

(b) Failure of Lender to duly comply with, observe or perform in any material respect any of Lender's covenants, conditions or agreements in this Agreement or the related Program Notice to be complied with, observed or performed by Lender for a period of 30 days after a written notice to Lender from either the Authority or Trustee, specifying such failure and requesting that it be remedied; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the party giving such notice may consent to a reasonable extension of time if corrective action is instituted by Lender within the applicable period and diligently pursued until fully corrected;

(c) Failure of Lender to timely repurchase any Mortgage Loan required to be repurchased pursuant to Section 3.16 hereof;

(d) Merger, consolidation or sale of substantially all of Lender's assets, or assignment of Lender's rights and obligations under this Agreement other than in conformance with Sections 2.02 (b) and 5.01 hereof;

(e) There occurs, prior to purchase by Servicer of any Mortgage Loan, a change with respect to Lender's status as, as may be appropriate, an FHA approved Direct Endorsement Mortgagee and/or VA approved mortgagee and/or a Fannie Mae or FHLMC approved Seller/Servicer;

(f) A decree or order of a court, agency or supervisory authority having jurisdiction in the premises is rendered appointing a conservator, receiver or liquidation in any insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceeding affecting Lender or substantially all of its properties, or for the winding-up or liquidation of its affairs, if such decree or order shall have remained in force undischarged or unstayed for a period of sixty (60) days;

(g) the Authority or Trustee shall discover or be notified that any representation of or warranty by Lender set forth herein or in the applicable Program Notice, or other Program documents containing a representation or warranty by Lender, is false in any material respect and is not made good within thirty (30) days of receipt by Lender of written notice thereof from Servicer, the Authority or Trustee;

(h) Consent by Lender to the appointment of a conservator, receiver or liquidator in any insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceeding affecting Lender or substantially all of its properties; or

(i) Admission, in writing, by Lender of its inability to pay debts generally as they mature, or the filing of a petition to take advantage of any applicable bankruptcy or insolvency statute, or the making of an assignment for the benefit of creditors.

If any of the events specified in (d), (f), (g), (h) or (i) above shall occur, Lender shall give written notice of such occurrence to the Authority, Servicer and Trustee within five (5) Business Days of the happening of such event.

Notwithstanding the termination of Lender pursuant to this Section 6.02, subject to the following restrictions, the Authority or the Servicer, as applicable, shall purchase Mortgage Loans for which Lender has taken applications prior to the date of termination and which qualify in all respects with this Agreement and the applicable Program Notice. Within ten (10) Business Days following receipt by Lender of notice of termination hereunder, Lender shall deliver to the Authority and the Servicer a list of any Mortgage Loans for which Lender had taken applications prior to such termination date. Any such Mortgage Loans must be submitted to the Authority for review within sixty (60) days following the termination date, or by the close of the Delivery Term, whichever occurs first.

Termination of Lender pursuant to this Agreement shall not relieve Lender of its warranties and representations or its obligations under this Agreement to repurchase Mortgage Loans as provided herein, and notwithstanding anything herein to the contrary, the representations made by Lender with respect to each Mortgage Loan shall survive any termination of this Agreement.

Section 6.03. Lender's Excused Nonperformance. Notwithstanding anything in this Agreement to the contrary, there shall be no termination of, and no liability under, this Agreement with respect to Lender for its failure to duly observe or perform in any material respect any covenant, condition or agreement to be observed or performed by Lender, if such failure on the part of Lender is directly caused by the precedent failure of a Servicer, Trustee or the Authority to duly observe or perform in any material respect any covenant, condition or agreement to be observed or performed by the Servicer, Trustee or the Authority.

Section 6.04. Certain Covenants. If any claim, suit, action or proceeding is commenced or brought against the Authority, Trustee, Servicer or any employees or agents thereof (or in which the Authority, Trustee, Servicer or any such employees or agents are named as a party), which is based upon the alleged taking of any action by or on behalf of Lender, or the alleged failure of Lender to take any action in connection with the origination by Lender of the Mortgage Loans, or the denial of a Mortgage Loan, Lender agrees to bear the cost of any judgment, loss, damage, cost or expense resulting from such claim, demand, suit, action or proceeding, or incurred in the defense thereof, but only if such action or failure to take action is required by law or the terms of this Agreement and if the Authority, Trustee, or Servicer shall give adequate written notice to Lender of the existence of such claim, demand, suit, action or proceeding. Lender may elect, with the consent of the Authority, Trustee, Servicer or such employees or agents, as appropriate, to defend and represent the Authority, Trustee, Servicer or such employees or agents as appropriate, in connection therewith, with counsel satisfactory to such party (parties), provided that if a conflict of interest arises, the affected party (parties) may retain other counsel of their choice, and the reasonable fees and expenses associated therewith shall be paid by Lender. In the event Lender defends such action on behalf of the affected party (parties), Lender agrees to preserve and protect the interest of the Authority, Trustee, Servicer or such employees or agents, and hold the Authority, Trustee or Servicer, and/or such employees or agents harmless against any loss in connection with such claim, demand, suit, action or proceeding. If it is determined that Lender has failed to perform any of its obligations under any provision of this Agreement, and if the Authority, Trustee or Servicer shall employ attorneys or incur other expenses for the enforcement, performance or observance of the terms of this Agreement or any particular Program Notice, on the part of Lender, then the Authority, Trustee

or Servicer, as the case may be, to the extent permitted by law, shall be reimbursed by Lender, on demand, for reasonable attorneys' fees and other out-of-pocket expenses.

Section 6.05. Waiver. No failure on the part of any party hereto to enforce any covenant or provision contained herein or in any Program Notice, or any waiver of any right hereunder, shall discharge or invalidate such covenant or provision or affect the right of such party to enforce the same in the event of any subsequent breach or default; failure to demand strict performance of any covenant or condition of this Agreement, or any applicable Program Notice, shall not be deemed a waiver of such covenant or condition.

Section 6.06. Limited Liability of the Authority. All obligations of the Authority under the terms of the Program, this Agreement, the Resolution, Program Installment or related Program Notice, shall be limited obligations of the Authority payable from the trust estate established by the Resolution, as more completely described in the Resolution.

Section 6.07. Limitation on Trustee's Liability. Nothing in this Agreement shall be construed to impose any duties upon Trustee beyond those set forth in the Resolution. All immunities, exemptions, indemnifications and other provisions of the Resolution insofar as they relate to Trustee shall apply to this Agreement.

Section 6.08. Limitation on Liability of Representatives of the Parties. No director, supervisor, commissioner, officer, employee or agent of the Authority, Trustee, Servicer or Lender shall be under any individual liability to the Authority, Trustee, Servicer or Lender or any of the registered owners of the Bonds for any action taken or for refraining from the taking of an action in good faith pursuant to this Agreement and the Resolution, Program Installment, and related Program Notice or for such errors in judgment as a reasonably prudent business person would make. Each party to this Agreement shall be liable hereunder only to the extent that obligations are explicitly imposed upon and undertaken by the party against whom enforcement is sought. The Authority shall not be held liable for any expenses incurred by any party hereto due to the approval or recommendation of any action or expenditure, payment for which is due from Trustee or from funds over which the Authority has no control.

Section 6.09. No Liability for Termination or Removal of Lender. Notwithstanding any provision hereof to the contrary, the Authority and Trustee shall not be liable in any respect for the proper termination or removal of Lender pursuant to Section 6.02 of this Agreement, nor owe any duty to any such Lender if properly terminated.

Section 6.10. Resignation or Removal of Trustee; Successor Trustee to Act as Provided in Resolution. In the event that Trustee shall resign or be removed as provided in the Resolution, it shall cease to act as Trustee under this Agreement, and its successor under the Resolution shall succeed to all the rights, duties and obligations of Trustee hereunder and shall replace Trustee hereunder.

Section 6.11. Indemnification; Hold Harmless. Lender shall indemnify and hold harmless the Authority, Servicer and Trustee and their officers, directors, employees and agents against any liability for all claims, cause of action, costs and expenses (including reasonable attorneys' fees), judgments, fines and penalties which may be related to or arise out of any

violation of law or breach of this Agreement resulting from an act or omission of Lender, its agents or employees.

Section 6.12. Damages; Repurchase. Lender shall be liable to the Authority, Trustee and Servicer for any damages, including, without limitation, costs and attorneys' fees, suffered by the Authority, Trustee or Servicer by reason of lack of truthfulness of any representation or the breach of any covenant or warranty made by Lender or a Mortgagor herein or in connection with the transactions hereby contemplated. In addition, with respect to any Mortgage Loan, in the event that any representation by Lender or a Mortgagor shall prove to be untrue when made, or in the event of any breach of covenant or warranty, or in the event Lender fails to deliver all documentation within the required time period, Lender shall, at the option of and upon the demand of the Authority, Trustee or Servicer, repurchase promptly any such Mortgage Loan for an amount equal to the sum of (i) one hundred percent (100%) of the unpaid principal balance of the Mortgage Loan at the time of repurchase with adjustment for accrued interest at the time of repurchase, (ii) the aggregate amount of any advances and interest thereon, and (iii) the amount of any attorneys' fees, legal expenses, court costs or other expenses incurred by Trustee, the Authority and/or Servicer in connection with such Mortgage Loan and the repurchase thereof. Each Mortgage Loan shall contain the applicable Mortgage Addendum (Exhibit D).

Section 6.13. Limitation on Rights of Bondholders. No Bondholder shall have any right to institute a suit with respect to this Agreement except as provided in the Resolution and only if for the equal benefit of all Bondholders. This Section may be enforced by Servicer, Trustee, the Authority, Lender or any Bondholder.

Section 6.14. No Remedy Exclusive. Unless otherwise expressly provided, no remedy herein conferred upon or reserved is intended to be exclusive of any other available remedy, but each remedy shall be cumulative and shall be in addition to other remedies given under this Agreement or existing at law or in equity. No delay or omission to exercise any right or power accruing under this Agreement upon the happening of any event set forth in Section 6.02 hereof shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Servicer, Trustee or the Authority to exercise any remedy reserved to any of them, individually or collectively, under this Agreement, it shall not be necessary to give any notice, other than such notice as may be required in this Agreement.

Section 6.15. Agreement to Pay Attorney's Fees and Expenses.

(a) In the event Lender should fail to perform its obligations under any of the provisions of this Agreement, Servicer, Trustee or the Authority shall, prior to employing attorneys or incurring other expenses for the enforcement of performance or the observance of any obligation or agreement on the part of Lender herein contained, notify Lender in writing of such failure to perform and allow Lender thirty (30) days thereafter to cure such nonperformance. If Lender has not cured such failure to perform within said thirty (30) days and Servicer, Trustee or the Authority should employ attorneys or incur other reasonable expenses for the enforcement of performance or observance of any obligation or agreement on the part of Lender herein contained, Lender agrees that it will pay or reimburse Servicer, Trustee and the

Authority on demand the reasonable fees of such attorneys and such other reasonably incurred expenses.

(b) If it is determined by a final judicial determination (after all appeals have been taken and exhausted, or the time for taking an appeal has expired), by arbitration, by stipulation or by consent, either express or implied, that Lender has failed to perform its obligations under any of the provisions of this Agreement and Servicer, Trustee or the Authority should employ attorneys or incur other reasonable expenses for the enforcement of performance or observance of any obligation or agreement on the part of Lender herein contained, then the prevailing party or parties shall be reimbursed on demand for reasonable attorneys' fees and expenses.

(c) In the event of its termination pursuant to Section 6.02 hereof, Lender shall reimburse Servicer, the Authority, and Trustee, respectively, for all of their costs and expenses reasonably incurred in connection with such termination, including the costs and expenses of retaining a successor to act for Lender, if necessary, pursuant to the terms of this Agreement.

Section 6.16. Litigation Regarding Acceleration Clauses. In the event that the exercise of any acceleration clause contained in any Mortgage Rider set forth in Exhibit D hereto gives rise to litigation challenging the constitutionality or legality of such clause generally (as opposed, for example, to the manner in which it was exercised or the application thereof to a particular set or circumstances), Lender need not be responsible for pursuing or defending such litigation unless Servicer, the Authority or Trustee agrees to pay such reasonable costs and attorneys' fees as may be incurred by Lender in pursuing or defending such acceleration clause.

ARTICLE VII

MISCELLANEOUS PROVISIONS

Section 7.01. Amendment of Program. The Authority shall not amend the Program in any manner materially adverse to Lender, unless such amendment is necessary to preserve the federal income tax exemption of interest on the Bonds or to comply with the Act, the Code, the Resolution, or any Program Notice relating to a particular Program Installment; or unless Lender shall have consented to such amendment. The Authority shall promptly notify Trustee, Servicer and Lender of any amendments to the Program, and shall promptly provide a copy of each such amendment to Trustee, Servicer and Lender. Lender shall have thirty (30) days after receipt of such notice in which to reject the subject amendment and thereby voluntarily terminate Lender's future participation in (i) the Program, or (ii) the applicable Program Installment, as the case may be. Any such voluntary termination by Lender shall not affect the continuing obligations of Lender under and pursuant to this Agreement.

Section 7.02. Changes in Applicable Laws. In the event the Act or the Code is amended in such a way as to, in the opinion of counsel recognized to be expert in such matters, reduce or eliminate any restriction therein applicable to the use of the proceeds of any of the Bonds, the Authority may, at its option, similarly reduce or eliminate the comparable restriction

contained herein so as to conform to such amendment by giving notice thereof to the parties hereto.

Section 7.03. Successors and Assigns. This Agreement and all obligations and rights arising hereunder shall bind and inure to the benefit of the Authority, Trustee, Lender, Servicer and their respective successors in interest and assigns, subject to and in accordance with the restrictions, terms and conditions for succession and assignment contained elsewhere in this Agreement.

Section 7.04. No Rights Conferred on Others. Nothing in this Agreement shall confer any right upon any person other than the Authority, the Certificate Provider (if any), Lender and Trustee, except that all parties hereto agree and acknowledge that Servicer, Lender's Correspondent Banks, and the Certificate Providers (if any) are third party beneficiaries hereof.

Section 7.05. Pledge or Assignment. The Authority may, at any time, assign or pledge for the benefit and security of the registered owners of any of the Bonds any part of or all of its rights, title and interest in and under this Agreement (including all agreements entered into hereunder), and thereafter this Agreement shall not be terminated, modified or changed by the Authority or Lender except in the manner, if any, imposed by the terms and provisions of such assignment or pledge. Lender hereby consents to such assignment and pledge. Lender may not assign or transfer any of its rights or interests pursuant to this Agreement, except as expressly provided in Section 6.02 hereof.

Section 7.06. Discretion of the Authority. With respect to any disputes among the Authority, Trustee and Servicer that arise concerning the terms and provisions of this Agreement, the meaning thereof, or decisions to be made thereunder, the commercially reasonable, good faith discretion, determination and judgment of the Authority shall govern.

Section 7.07. Governing Law. This Agreement shall be construed in accordance with the laws of the State, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws without reference to the laws of any other state or jurisdiction, except applicable federal laws, rules and regulations.

Section 7.08. Severability. In the event any provision of this Agreement shall be held to be illegal or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 7.09. Binding Agreement. Notwithstanding the agreed Effective Date hereof, this Agreement shall not become binding until: (1) there is delivered to the Authority copies of this Agreement executed by Lender, and (2) there is delivered to the Authority opinions of Lender's counsel, in form and substance satisfactory to the Authority and its counsel.

Section 7.10. Further Assurances and Corporate Instruments. To the extent permitted by law, the Authority, Trustee, and Lender, severally and not jointly, agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may be reasonably required for carrying out the intention of or facilitating the performance of this Agreement.

Section 7.11. Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 7.12. All Prior Origination Agreements Superseded. This Agreement, together with the Exhibits attached hereto, and all future amendments hereto, shall and does hereby supersede, amend and substitute for any prior agreements and understandings between Servicer, the Authority and Trustee, on the one hand, and Lender, on the other hand, governing the making and origination of Mortgage Loans pursuant to the Program, any Program Installment that may be adopted and implemented by the Authority after the effective date hereof, the Resolution and Program Notice applicable to each Program Installment; provided, however, that this Agreement shall not affect existing agreements relating to other prior programs of the Authority not covered by this Agreement.

Section 7.13. Term of Origination Agreement. This Origination Agreement shall be in full force and effect from the Effective Date hereof and shall continue in effect so long as:

- (a) any Bonds are Outstanding;
- (b) the Authority, or the Servicer, as applicable, shall own any Mortgage Loans or Certificates purchased hereunder; or
- (c) Lender remains qualified to serve as a lender under the terms and conditions of this Agreement, whichever is later. Upon the failure to satisfy, or the completion of any one or more of the criteria listed immediately above, the term of this Agreement shall expire upon any one of the parties hereto giving thirty (30) days notice of termination of this Agreement to the other party and to the Servicer.

Section 7.14. Effective Date. The Effective Date of this Origination Agreement shall be September 28, 2001, regardless of the date of execution by any party hereto.

Section 7.15. Termination of This Agreement Without Cause. This Agreement shall be subject to termination without cause by either Lender or the Authority at any time after one (1) calendar year from the date hereof, provided that all of the following conditions are satisfied as of the intended effective date of such termination:

(a) That on such date, Lender is not actively engaged in the origination of any Mortgage Loan(s) pursuant to the terms and conditions of any Program Notice relating to a particular Program Installment then in progress;

(b) That on such date, Lender does not hold or own any Mortgage Loan(s) that would be eligible for and available for purchase by Servicer under the terms and conditions of any Program Notice relating to a particular Program Installment then in progress; and

(c) That the Party hereto desiring to terminate (without cause) this Agreement has given a written notice of termination of this Agreement to the other Parties hereto and to the

Servicer, not less than thirty (30) days prior to the intended termination date.

In addition, the Authority may, in order to satisfy any state law, rule or regulation that may now or in the future apply to this Agreement, at any time terminate (without cause) this Agreement as to Lender upon giving notice of termination to Lender, Trustee and Servicer not less than sixty (60) days prior to the intended termination date.

Section 7.16. Amendments, Changes and Modifications. The provisions of this Agreement, as may be amended and supplemented by each Series Resolution and related Program Notice and other Program documents for which Lender is to originate Mortgage Loans, except as is provided by Section 7.02, hereinabove, cannot be waived or modified unless such waiver or modification be in writing and signed by the party to be charged with such waiver or modification; and further excepted and provided, however, that the Authority may supplement or modify this Agreement without the consent of Lender or Servicer if (i) such supplement or modification does not materially alter the rights and obligations of Lender or Servicer hereunder, or (ii) such supplement or modification shall be required to maintain the exclusion of interest on any series of Bonds from the gross income of the recipients thereof. This Agreement may be supplemented by one or more Series Resolutions and related Program Notices by the unilateral action of the Authority. Lender shall be bound by each such Series Resolution and related Program Notice if, and only if, Lender submits to the Authority Lender's Offer to Participate in a particular Program Installment and the same is accepted by the Authority.

Section 7.17. Security Interest. Lender hereby grants to the Authority and to Trustee, as their interests may appear, a security interest in this Agreement and in all moneys collected and deposited with Trustee as required by this Agreement.

Section 7.18. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when sent by e-mail, facsimile transmittal, private delivery, or mailed by certified or registered mail, postage prepaid, addressed to the appropriate Notice Addresses and Contact Officers, respectively, of each of the other parties intended to be served. A duplicate copy of each notice, certificate or other communication given hereunder to any of the following named parties, i.e., the Authority, Trustee Servicer and Lender shall also be given to the others. Any of the said parties may, by notice given hereunder, designate any further or different addresses and/or Contact Officers to which subsequent notices, certificates or other communications shall be sent. The initial Notice Addresses and Contact Officers for the Lender shall be as set out in the Offer to Participate submitted by Lender, and incorporated by reference, and for the Authority shall be as set forth in Section 1.01 hereof.

Section 7.19. Recordation of Origination Agreement. This Agreement, or a memorandum of any portion or portions hereof executed by the parties hereto, is subject to recordation among the land records of the State, and in any other appropriate public office or elsewhere on direction by the Authority or Trustee.

Section 7.20. Time. Time is of the essence of this Agreement and of all Program Installments and related Program Notices adopted by the Authority.

IN WITNESS WHEREOF, the Authority and Lender have caused their names to be signed hereto by their respective officials, officers or representatives, with the respective seals thereof to be hereunto fixed, all as of the day and year first above written.

DELAWARE STATE HOUSING AUTHORITY

Attest:

HOUSING FINANCE
ADMINISTRATOR

By: _____
HOUSING DIRECTOR

LENDER: _____,
as Lender

Attest:

Title:

By: _____
Title:

LIST OF EXHIBITS

<u>Description</u>	<u>Exhibit</u>
Rules and Regulations of the Authority	A
Instructions to Lenders	B
Mortgage Loan File (originals or copies)	C
-Note	(1)
-Mortgage	(2)
-Mortgage Assignment	(3)
-Title Policy	(4)
-Homeowner's Insurance	(5)
Mortgage Loan Documents	D
-Note	(1)
-Mortgage	(2)
-Mortgage Assignment	(3)
-Mortgage Rider (Addendum) (FHA or VA, if applicable)	(4)
-FHA Notice to Buyers (if applicable)	(5)
-VA Mortgage Disclosure Statement (if applicable)	(6)
-Seller's Affidavit	(7)
-Recapture Notification and Mortgagor's Affidavit and Certification	(8)
-Lender's Affidavit	(9)
Targeted Area Census Tracts	E
Acquisition Costs – Household Limits	F
Mortgage Loan Reservation Form (and Instructions to Lenders)	G
Certificate of Code Compliance Review (DSHA Officer's Certificate)	H
Mortgage Loan File Review Checklist Transmittal of Loan Documentation	I
Lender's Affidavit (Loan Closing Certificate)	J
Pool Compliance Certificate	K
HOME Project Summary	L
HOME Regulatory Agreement	M
Mortgage Loan Reservation Sheet (e-mail)	N