



Program Bulletin

July 2, 2001

Program Bulletin #2001-13

To: CHFA Approved Lenders

EXTRA CREDIT TEACHER HOME PURCHASE ASSISTANCE PROGRAM (EXTRA CREDIT TEACHER PROGRAM)

This program is intended to assist low performing schools recruit and retain credentialed teachers and principals to increase their academic standing and thus provide pupils with high quality education. The program will provide a below market interest rate CHFA first loan, together with a forgivable interest CHFA second loan to assist qualified teachers and principals to purchase their first home. This is a pilot program with a limited allocation of \$15 million. Therefore, the program is offered on a first-come-first-served basis as long as funds last.

The Extra Credit Teacher Program consists of a CHFA first loan with a special down payment assistance second loan of \$7,500. It is designed in most cases to provide up to 100% of the financing needed subject to maximum loan qualification to allow eligible teachers and principals to purchase their first home. The first loan is a CHFA FHA-insured, VA Guaranteed, USDA/RD Guaranteed or CaHLIF-insured 30 year fixed rate loan. CHFA interest rates on the firsts are established at the CHFA Affordable Housing Partnership Program (AHPP) rate, which is currently six percent (6%) in designated "high cost" areas and six percent (6.25%) elsewhere. The second loan is a 30 year deferred payment loan of \$7,500 with an interest rate of five percent (5%), which may be reduced to zero percent (0%). If the teacher or principal remains employed at a low performing school continuously for five years, the interest rate on the second loan will be reduced progressively to zero percent (0%) and remain there for the term of the loan. The interest rate on the first loan remains fixed at the initial below market rate for the entire term of the loan.

EFFECTIVE DATE OF LOAN RESERVATIONS

The Extra Credit Teacher Program as described in this bulletin is effective only with loan reservations made on or after July 2, 2001. CHFA loan reservations made prior to this date are not eligible under the Extra Credit Teacher Program guidelines. Borrowers with pre-existing reservations (prior to July 2, 2001) who wish to apply for the Extra Credit Teacher Program under the guidelines described herein must cancel the existing reservation and relock the loan reservation under the new Extra Credit Teacher Program guidelines.

PROGRAM PURPOSE, USE AND TERMS

The Extra Credit Teacher Program is designed to provide up to 100% financing by combining a CHFA first loan with a CHFA \$7,500 second loan.

The first loan is a standard CHFA FHA, USDA/RD, VA or CAHLIF-insured 30-year fixed rate loan. CHFA interest rate on the Extra Credit Teacher Program first loan is established under the Affordable Housing Partnership Program (AHPP) rates for both new construction and existing resale. Interest rates are subject to change and are announced under separate CHFA Program Bulletins when applicable. The CHFA web site www.chfa.ca.gov lists current interest rates along with other program information.

The second loan is a 30-year deferred payment with a principal amount of \$7,500. The interest rate on the second is five percent (5%) which will be reduced by one percent (1%) for each full year the teacher or principal remains employed in a low performing school to a maximum of five years and a minimum of zero percent (0%) interest for the term of the loan.

Additionally, CHFA will permit the borrower to use other CHFA and/or local agency subordinate financing to help in the acquisition of the home, provided the applicant and the property meet the CHFA subordinate loan requirements, and/or the applicable subordinate financing has been previously approved under the Affordable Housing Partnership Program (AHPP) by CHFA and is subordinate to the CHFA first and second loans. Under no circumstances will cash back to the homebuyer be permitted.

BORROWER ELIGIBILITY

All borrowers must be first-time homebuyers whose income does not exceed CHFA income limits adjusted for county and family size. Income limits are subject to change and will be announced by Program Bulletin when applicable and are available on CHFA's Web site.

All first-time homebuyers must meet CHFA first loan eligibility requirements. Please refer to the CHFA Program Manual-Rev. 8/99 for information on standard Borrower and first loan eligibility requirements. This manual is periodically updated by Program Bulletins.

Additionally, the teacher or principal must meet the following eligibility requirements:

- a. Currently be employed full-time and intends to teach or provide administration for five years continuously from the date of the loan in a Low Performing School that scores in the bottom thirty percentile (30%) Statewide Rank Academic Performance Index ("API"), as published by the Superintendent of Public Instruction or the Department of Education pursuant to Ed Code § 52056.
- b. Be a holder of an appropriate credential for a teacher or principal. An eligible teacher is any person who holds one of the credentials listed on Attachment "1" issued by the California Commission on Teacher Credentialing, and who is currently employed full-time in a Low Performing School in the subject and grade level as authorized by his or her credential. An eligible principal is any person who holds

one of the credentials listed on Attachment "1" issued by the California Commission on Teacher Credentialing and who is currently employed full-time as a principal in a Low Performing School.

- c. The teacher or principal must be a first-time homebuyer (i.e. not have owned and occupied a home in the last three years).
- d. The residence being purchased shall be intended to be the borrower's primary residence.
- e. The total family household income does not exceed CHFA Income Limits adjusted for county and family.
- f. The residence being purchased and financed is a single-family residence, condominium, or manufactured housing located within California, and does not exceed area sales price limits.
- g. The teacher or principal must be able to credit qualify for either a CHFA FHA-insured, VA Guaranteed, USDA/RD Guaranteed or CaHLIF-insured 30 year fixed rate first loan for the amount necessary to purchase a home.

Interest on the 2nd loan may be reduced to 0% if the teacher or principal meets continued eligibility by remaining employed in the teaching or administrative position at the school on a continuous basis for five years from the date specified on the second loan documents. The interest rate on the 2nd loan will be reduced by 1% for each full year the teacher or principal remains employed full-time in a Low Performing School to a maximum of five years. In the event of the borrower's termination of employment during the first five years, the interest rate on the 2nd loan will accrue at the last reduced rate (if applicable) that the teacher or principal met continued eligibility.

In order to qualify for partial or full interest rate reduction, the principal or teacher shall produce documentation evidencing continued eligibility to the satisfaction of CHFA at the end of the five-year period.

Exceptions to the five-year continuous employment requirement will be allowed in the following cases:

- a. The borrower is employed at the same school as at the time of receipt of the loan, but that school is no longer considered a Low Performing School.
- b. The borrower's departure from the Low Performing School was involuntary and was not the result of disciplinary action, and he/she accepts a teaching or principal position at another California K-12 public school within one year of her/his date of departure.
- c. Hardship cases; serious illness, death and divorce.
- d. Occurrences covered under the Family Medical Leave Act.
- e. Other exceptions as deemed acceptable by the Agency.

Repayment of the principal and accrued interest on both the first and second loans shall be due and payable at the earlier of the following events:

- a. Transfer of title.
- b. Sale of the residence.
- c. Payoff/refinance of the first loan.
- d. The property is no longer the borrower's primary residence (subject to CHFA hardship provisions described in the CHFA lending manual).

PROPERTY ELIGIBILITY

All properties must meet CHFA's standard property eligibility requirements, including CHFA sales price limits. Refer to the CHFA Program Manual-Rev. 8/99, as updated by Program Bulletin #2000-18, dated October 17, 2000, for current property eligibility. Sales price limits are subject to change and will be announced by Program Bulletin when applicable, and are available on CHFA's Web site.

LOAN PROCESSING AND PURCHASE DOCUMENTATION PROCEDURES

Loan delivery for the Extra Credit Teacher Program will be accomplished in the same manner in which CHFA operates its first and second loan programs. CHFA approved lenders will reserve the Extra Credit Teacher Home Purchase Assistance Program through the Lender Access System (LAS) by selecting the Extra Credit Teacher Program option on the registration screen. The completely processed and underwritten loan will then be forwarded to CHFA for compliance review and approval. Please refer to the CHFA Program Manual for submission procedures and document requirements. The submission file should be clearly marked "Extra Credit Teacher Program" on the outside cover of the loan file.

In addition to normal CHFA documentation requirements, CHFA will require that the Lender receive and provide to the Agency the following certifications (see Attachment "2" School Certification) from the employing school or district:

- a. The school has an Academic Performance Index (API) score that places it in the eligible bottom 30% of low performing schools with a rank of 1, 2 or 3.
- b. The teacher or principal is currently employed full-time and there is no reason known by the school district that the teacher or principal would not continue to be employed at the school then employed for the next five years.
- c. The teacher or principal holds the appropriate credential for the subject and grade level the teacher is assigned to teach, or principal assigned to administer (Attachment "1" lists acceptable credentials).

MORTGAGE ELECTRONIC REGISTRATION SYSTEM (MERS)

CHFA purchases loans with Deeds of Trust for which Mortgage Electronic Registration Systems, Inc. (MERS) has been designated beneficiary (as nominee). Lenders originating CHFA loans (including second Deeds of Trust, i.e. Extra Credit Teacher Home Purchase

Assistance Program HPA second loans) with MERS as nominee shall continue the MERS process for all subsequent loans. Please refer to Program Bulletin #2001-04 for MERS procedures.

Lenders using the MERS procedure are advised to select the MERS version of the deeds of trust. Copies of MERS documents as well as non-MERS documents are attached to this bulletin and are also available from CHFA's web site www.chfa.ca.gov "Bulletins, Forms".

SUBMISSION OF LOAN PURCHASE DOCUMENTS

If the lender is not using MERS as the designated beneficiary (as nominee), CHFA first loan Promissory Note and Deed of Trust (dated 05/01) and HPA Promissory Note and Deed of Trust (dated 06/01) for Extra Credit Teacher Program loans must be used. The Lender is to prepare and record an Assignment of the Deed of Trust for the HPA second loan in addition to the Assignment prepared and recorded for the CHFA first loan.

Lenders shall also obtain an ALTA Lenders Title policy that includes coverage of both CHFA loans naming the Agency as the insured or the Lender and their successors and/or assigns. In addition, a recorded Request for Notice of Default of the first loan must be obtained.

After loan closing, the Lender must endorse all CHFA promissory notes in favor of the "California Housing Finance Agency" and submit the notes along with the original "Mortgage Submission Voucher Part II: Purchase Submittal and Lender Certification" and title company certified copies of the Settlement Statement and Notes and Deeds of Trust, and lender certified copies of the Assignments of the CHFA Deeds of Trust (non-MERS) and "Request for Notice of Default" to the Agency for purchase of the loans. Submission of the original promissory notes must be made within the required time limits for the Single Loan (SL) reservation system or the Forward Commitment (FC) periods as applicable.

CHFA will review the loans for purchase upon receipt of the following required documents:

1. "Mortgage Submission Voucher Part II: Post Purchase Submittal" for the first and subordinate loans (see attached copies);
2. Original Notes endorsed to the California Housing Finance Agency;
3. The original recorded or a title company/escrow company certified copy of the Deeds of Trust as prepared for recording (see attached copies);
4. The original recorded or a lender certified copy of the Assignments of the Deeds of Trust as prepared for recording (if non-MERS);
5. A copy of the ALTA Lender's Title Policy insuring CHFA loans in order of priority and for the full amount of the loans; and
6. The original recorded or title company/escrow company certified copy of the Request for Notice of Default (for junior loans).
7. HUD-1 and, where applicable, FHA Riders.
8. School Certification ("Eligibility Certificate": Attachment "2")

CHFA will fund only the outstanding principal balance of the second loans. Accrued interest will not be funded upon purchase of junior loans by the Agency, since interest is deferred for the term of the loans (See the paragraph titled "Compensation to Lenders" below).

SERVICING

Lenders will be required to service release the first loans to CHFA and will receive a Servicing Release Fee of 75 basis points. The second loans will be serviced directly by CHFA due to the deferred payment structure, minimal servicing requirements and no servicing fee.

Repayment of the entire principal and interest of the second is due upon either of the following events: sale or transfer of the secured property; refinance or payoff of the first loan; or upon the formal filing and recording of a Notice of Default (unless rescinded). Prepayment of the HPA second is permitted at any time. Partial prepayment of the second loan is permitted and the crediting of such payments will be done in two ways. First, during the first five years of the loan, partial prepayments will be credited toward principal only. From the 61st month forward, payments will be credited first to the interest (if any) and then to principal. CHFA does not charge prepayment penalties.

At the time the second loan is accepted into CHFA Loan Servicing, CHFA will notify the borrower of the Extra Credit Teacher Program second loan number and provide instructions to the borrower regarding procedures for prepayments of second loans to be made directly to CHFA. Periodically, and upon issuing a Demand for Payoff, CHFA Loan Servicing will issue a notice to the teacher detailing the procedure he or she must follow to be eligible for interest forgiveness on the \$7,500 second loan. The interest rate on the second loan will be reduced by one percent (1%) for each full year the teacher or principal remains employed in a low performing school to a maximum of five years and a minimum of zero percent (0%) interest for the term of the loan.

CHFA will report annually to the Treasurer's Office the number and reasons that second loans ceased to be eligible for interest rate forgiveness.

COMPENSATION TO LENDERS

In addition to normal fees allowed for CHFA first loans, lenders would be permitted to charge the borrower or seller an additional \$250 to process the Extra Credit Teacher Program second loan. The \$250 processing fee for the second loan is to compensate lenders for all accrued interest from the date of recordation to date of purchase of the loan by CHFA, plus cover normal origination and processing costs for the second. CHFA will not pay a servicing release fee for the second loan since servicing fee income is not collected.

QUESTIONS

Questions regarding this bulletin should be directed to CHFA, Homeownership Programs, 1121 L Street, 7th Floor, Sacramento CA 95814; by phone (916) 324-8088; by fax (916) 324-6589; or e-mail homeownership@chfa.ca.gov

Attachments



Lenders are encouraged to use CHFA's FHA Energy Efficient Mortgage Program (EEM) to minimize emergency usage and costs. Additional information regarding EEMs is available on CHFA's web page.

Credential List

An eligible teacher must hold one of the following credentials issued by the California Commission on Teacher Credentialing, and must be currently employed full-time in a Low Performing School in the subject and grade level as authorized by his or her credential:

- Single Subject Teaching Credential
- Multiple Subject Teaching Credential
- Specialist Instruction Credential in Special Education
- Education Specialist Instruction Credential
- Standard Elementary Teaching Credential
- Standard Secondary Teaching Credential
- Standard Early Childhood Education Teaching Credential
- Standard Restricted Special Education Teaching Credential
- General Kindergarten-Primary Teaching Credential
- General Elementary Teaching Credential
- General Junior High Teaching Credential
- General Secondary Teaching Credential
- Special Secondary Teaching Credential in Art
- Special Credential for Teaching Exceptional Children
- Special Secondary Teaching Credential in Business Ed
- Special Secondary Credential for Teaching the Blind
- Special Secondary Teaching Credential in Homemaking
- Special Secondary Teaching Credential in Industrial Arts
- Special Secondary Credential for Teaching Lip Reading
- Special Secondary Teaching Credential in Music
- Special Secondary Limited Teaching Credential in Music
- Special Secondary Teaching Credential Limited in Agriculture
- Special Secondary Credential for Teaching the Partially Sighted Child
- Special Secondary Teaching Credential in Physical Education
- Special Secondary Speech Arts
- Special Secondary Teaching Credential in Correction of Speech Defects
- Special Secondary Credential for Teaching the Mentally Retarded

An eligible principal must hold one of the following credentials issued by the California Commission on Teacher Credentialing and must be currently employed full-time as a principal, vice principal or assistant principal in a Low Performing School:

- Administrative Services Credential
- Administrative Services Credential (Examination)
- Standard Supervision Credential
- Standard Administration Credential
- General Elementary School Administration Credential
- General Elementary School Supervision Credential
- General Secondary School Administration Credential
- General Secondary School Supervision Credential
- General Administration Credential
- General Supervision Credential
- The Supervision Credential
- General School Principal or Supervisor Credential

EXTRA CREDIT TEACHER HOME PURCHASE PROGRAM

ELIGIBILITY CERTIFICATE

INSTRUCTIONS

Lender: Please complete items 1-4, and send to Employer for completion of items 6-12.

Applicant (Teacher, Principal, Assistant Or Vice Principal): Please complete item 5.

Employer (School District or County Office of Education): Please complete items 6-12, sign and return to Lender.

PART I- REQUEST

To be completed by Lender

1. Issuer: _____
Contact Name: _____
Address: _____
City: _____ Zip: _____
Phone: _____ Fax: _____

2. Name of Applicant (teacher, principal, assistant or vice principal) : _____
Address: _____
City: _____ Zip: _____
Phone: _____ Fax: _____

3. Employer (School District or County Office of Education):

Contact Name (Superintendent or Dir. of Personnel): _____
Address: _____
City: _____ Zip: _____
Phone: _____ Fax: _____

4. Name of School where Applicant is currently employed: _____
Current Academic Performance Index Ranking of School: (please circle) 1 2 3 4+

(Note: School must be a designated Low Performing School on the date the Applicant submits application)

5. "I have applied for a mortgage revenue bond loan through the Extra Credit Teacher Home Purchase Program. My signature below authorizes my employer to verify the information requested in this Certificate."

Signature of Applicant: _____ Date: _____

PART II – CERTIFICATION OF ELIGIBILITY INFORMATION

To be completed by Employer (School District or County Office of Education)

Please indicate your certification of the following information by marking an “X” in the boxes below:

- 6. The Applicant listed above is currently employed full-time at the school listed in Part I, Item 4 as a:
(circle one) *Teacher* *Principal* *Assistant or Vice Principal*
- 7. The Applicant holds one of the credentials issued by the California Commission on Teacher Credentialing listed below in Part III, and is currently employed in the subject and grade level as authorized by his or her credential.
- 8. The Applicant is not currently under suspension by his or her employing school district or County Office of Education, and there is not currently pending any disciplinary inquiry, investigation, action or proceeding that could result in the suspension or dismissal of the Applicant.
- 9. It has been verified with the California Commission on Teacher Credentialing that the Applicant’s credential is not currently suspended or revoked, and that there is not currently pending any disciplinary inquiry, investigation, action or proceeding that could result in the suspension or revocation of the Applicant’s credential.
- 10. The personnel file of the teacher or principal reflects that he or she has not been dismissed from a teaching or principal position for any reason, and that he or she has not been the subject of a disciplinary suspension which has been upheld.

(Note: The disciplinary inquiry, investigation, action or proceeding referenced in questions 8, 9, and 10 refers only to formal action taken by the employing school district or County Office of Education or the California Commission on Teacher Credentialing.)

- 11. If the Applicant is a teacher, has he or she received National Board Certification? Yes No

“I certify that the information provided in Part II above is true, accurate and complete as of the date submitted. I certify that I am the Superintendent or Personnel Director of the employing school district or County Office of Education, and am duly authorized to submit this information and make the representations contained herein.”

- 12. Name of Employer (Superintendent or Personnel Director): _____
Title: _____
Signature: _____ Date: _____
School District or County Office of Education: _____

PART III – LIST OF CREDENTIALS (An applicant must hold one of the following credentials to be eligible for the Extra Credit Teacher Home Purchase Program.)

For Teachers

- Single Subject Teaching Credential
- Specialist Instruction Credential in Special Education
- Standard Elementary Teaching Credential
- Standard Early Childhood Education Teaching Credential
- General Kindergarten-Primary Teaching Credential
- General Junior High Teaching Credential
- Special Secondary Teaching Credential in Art
- Special Secondary Teaching Credential in Business Ed
- Special Secondary Teaching Credential in Homemaking

- Multiple Subject Teaching Credential
- Education Specialist Instruction Credential
- Standard Secondary Teaching Credential
- Standard Restricted Special Education Teaching Credential
- General Elementary Teaching Credential
- General Secondary Teaching Credential
- Special Credential for Teaching Exceptional Children
- Special Secondary Credential for Teaching the Blind
- Special Secondary Teaching Credential in Industrial Arts

Special Secondary Credential for Teaching Lip Reading
Special Secondary Limited Teaching Credential in Music
Special Secondary Credential for Teaching the
Partially Sighted Child
Special Secondary Teaching Credential in Correction
of Speech Defects

Special Secondary Teaching Credential in Music
Special Secondary Teaching Credential Limited in Agric.
Special Secondary Teaching Credential in Physical Ed.
Special Secondary Teaching Credential in Speech Arts
Special Secondary Credential for Teaching the
Mentally Retarded

For Principals, Assistant or Vice Principals

Administrative Services Credential
Standard Supervision Credential
General Elementary School Administration Credential
General Secondary School Administration Credential
General Administration Credential
The Supervision Credential

Administrative Services Credential (Examination)
Standard Administration Credential
General Elementary School Supervision Credential
General Secondary School Supervision Credential
General Supervision Credential
General School Principal or Supervisor Credential

**ATTENTION EMPLOYER: THIS FORM MUST BE TRANSMITTED DIRECTLY TO THE
LENDER.**

Revised 10/24/00

**EXTRA CREDIT TEACHER PROGRAM
PROMISSORY NOTE
CALIFORNIA HOUSING FINANCE AGENCY HOME PURCHASE ASSISTANCE PROGRAM (“HPA”)
Second Loan No. _____**

**NOTICE TO BORROWER
THIS DOCUMENT CONTAINS PROVISIONS
PROHIBITING UNAUTHORIZED TRANSFERS SECURED BY
A DEED OF TRUST ON RESIDENTIAL PROPERTY**

\$ 7,500.00 _____, 20_____
Date of this Note

FOR VALUE RECEIVED, the undersigned, _____,
_____, (the “Borrower”) hereby promises to pay to the order of _____,
_____, or holder, whose address is

as further provided herein, (the “Lender”) a principal amount equal to _____ Dollars,
(\$ _____) with simple interest at the rate specified below on the unpaid principal balance from the date
of this Promissory Note (the “Note”), until paid. The obligation of the Borrower with respect to this Note is secured
by that certain Deed of Trust entitled "Permanent Deed of Trust with Assignment of Rents, Security Agreement and
Fixture Filing (California Housing Finance Agency Home Purchase Assistance Program), Second Loan No. _____
_____ " (the “Deed of Trust”), and executed by the Borrower concurrently herewith.

DEFINITIONS

“Date of this Note” – means the date that this Note is executed as specified on the top right hand side of this page.

“Qualified Borrower” – means the Lender has determined, in its sole discretion, from documentation provided by
the Borrower, that Borrower is currently employed full-time on a continuous basis at a Low Performing School as a
credentialed teacher or principal, and is currently occupying the Property as his/her principal residence.
“Credentialed teacher or principal” means the Borrower holds a California Credential in the subject area(s) stated in
the Extra Credit Teacher Home Purchase Assistance Program Bulletin # 2001-13.

“Low Performing School” (Statewide Rank 1, 2, or 3) means a school which ranks in the bottom 30% in the
Academic Performance Index (“API”) of schools tested pursuant to the Public Schools Accountability Act of 1999
in the most current testing cycle as identified by statistics prepared by the Department of Education.

RECITALS

1. *Borrower’s Obligation.* This Note evidences the obligation of the Borrower to the Lender for the
repayment of funds loaned to finance the purchase of that certain real property (the “Property”) described in the
Deed of Trust. The amount of home purchase assistance plus accrued interest shall be due and payable at the end of
the term, or upon acceleration of payment as set forth in paragraph 5 herein, or when the first note becomes all due
and payable or is refinanced or is paid in full.

2. *Amounts.* Simple interest on the outstanding principal amount of home purchase assistance shall accrue
at 5% per annum from the Date of this Note until payment in full, subject to the following modifications, if
applicable:

- (a) If the Borrower is a Qualified Borrower on the first year anniversary date of the Date of this Note
(“1st Anniversary”), the Borrower’s interest due shall be reduced by 1% so that the effective rate
on this Note is 4% simple interest per annum. This rate reduction shall apply both retroactively
back to the Date of this Note, and prospectively, so that interest shall accrue at 4% until the loan
is paid in full.

- (b) If the Borrower was a Qualified Borrower on the 1st Anniversary, and continues to be a Qualified Borrower on the second year anniversary date of the Date of this Note (“2nd Anniversary”), the Borrower’s interest due shall be reduced by 1% so that the effective rate on this Note shall be 3% simple interest per annum. This rate reduction shall apply both retroactively back to the Date of this Note, and prospectively so that interest shall accrue at 3% until the loan is paid in full.
- (c) If the Borrower was a Qualified Borrower on the 1st and 2nd Anniversary and continues to be a Qualified Borrower on the third year anniversary of the Date of this Note (“3rd Anniversary”), the Borrower’s interest due on this Note shall be reduced by 1% so that the effective rate on this Note is 2% simple interest per annum. This rate reduction shall apply both retroactively back to the Date of this Note, and prospectively so that interest shall accrue at 2% until the loan is paid in full.
- (d) If the Borrower was a Qualified Borrower on the 1st, 2nd and 3rd Anniversary and continues to be a Qualified Borrower on the fourth year anniversary of the Date of this Note (“4th Anniversary”), the Borrower’s interest due on this Note shall be reduced by 1% so that the effective rate on this Note is 1% simple interest per annum. This rate reduction shall apply both retroactively back to the Date of this Note, and prospectively so that interest shall accrue at 1% until the loan is paid in full.
- (e) If the Borrower was a Qualified Borrower on the 1st, 2nd, 3rd and 4th Anniversary and continues to be a Qualified Borrower on the fifth year anniversary of the Date of this Note (“5th Anniversary”), the Borrower’s interest due on this Note shall be reduced by 1% so that the effective rate on this Note is 0% simple interest per annum. This rate reduction shall apply both retroactively back to the Date of this Note, and prospectively so that interest shall accrue at 0% until the loan is paid in full.
- (f) Notwithstanding the definition of Qualified Borrower specified herein, if Borrower’s employer school improves its API scores during the first five years, so that it no longer ranks as a Low Performing School, Borrower shall remain a Qualified Borrower for the purposes of the above-stated interest rate reductions.

3. *Occupancy.* Borrower shall occupy the Property as Borrower’s principal place of residence during the term of this Note.

4. *Loan Not Assumable, Prohibition on Transfer of Interests; Limited Exceptions.* Where Lender-administered funds continue to be used in financing the purchase or continued use of the Property, the Borrower shall not make any lease, sale, assignment, conveyance or transfer of the Property except as permitted. No transfer of this second loan will be permitted, and no successor in interest to the Borrower(s) will be permitted to assume the Borrower(s) loan secured by this Deed of Trust except in the following limited circumstances:

- (a) The transfer results from the death of a Borrower and the transfer is to the surviving Co-Borrower who occupies the property;
- (b) A transfer by a Borrower to his or her spouse when the spouse becomes by such transfer a co-owner of the Property;
- (c) A transfer of the Property resulting from a decree of dissolution of the marriage or legal separation or from a property settlement agreement incidental to such a decree by which a spouse who is already a Borrower continues to occupy the Property and becomes the sole owner of the Property.
- (d) A transfer by a Borrower to an inter vivos trust in which the Borrower is the sole beneficiary.

5. *Repayment of Loan Principal and Interest.* Borrower shall repay to Lender the principal, interest and any other amounts due under this Note on the earliest of the following occurrences:

- (a) When the first note and deed of trust becomes due and payable;
- (b) When the first note and deed of trust loan is paid in full;
- (c) When the first note and deed of trust loan is refinanced; or
- (d) When the property is sold or transferred.

6. *Acceleration of Payment.* The principal amount of this loan, together with any then outstanding accrued interest thereon shall become immediately due and payable upon the earliest of any of the following events:

- (a) In the event of a default under the terms of this Note or the Deed of Trust securing this Note;
- (b) In the event that the Borrower shall cease to occupy the Property as Borrower's principal place of residence; or
- (c) In the event of any sale, or transfer, lease, rental or encumbrance of the property in violation of paragraph 4 of this Promissory Note.

7. *Place and Manner of Payment.* All amounts due and payable under this Note are payable at the principal office of the Lender set forth above, or at such other place or places as the Lender may designate to the Borrower in writing from time to time.

8. *Application of Payments.* Until the 5th Anniversary, all partial payments received on account of this Note shall be first applied to the reduction of principal and the remainder shall be applied to accrued interest. Any payments received by the Lender on account of this Note after the 5th Anniversary shall first be applied to accrued interest and the remainder shall be applied to reduction of the principal.

9. *Attorney's Fees.* The Borrower hereby agrees to pay all costs and expenses, including reasonable attorney's fees, which may be incurred by the Lender in the enforcement of this Note.

10. *Default and Acceleration.* All covenants, conditions and agreements contained in the Deed of Trust are hereby made a part of this Note. The Borrower agrees that the unpaid balance of the then principal amount of this Note, together with all accrued interest thereon and charges owing, shall, at the option of the Lender or, if so provided in this Note and Deed of Trust executed by the Borrower, shall automatically become due and payable, and thereafter until paid bear interest at the rate of ten percent (10%) per annum, upon the failure of the Borrower to make any payment hereunder as and when due; upon the failure of the Borrower to perform or observe any other provision of this Note, or upon the occurrence of any event (whether termed default, event of default or similar term) which under the terms of the Deed of Trust, shall entitle the Lender to exercise rights or remedies thereunder.

11. *Notices.* Except as may be otherwise specifically provided herein, any approval, notice, direction, consent, request or other action by the Lender shall be in writing and may be communicated to the Borrower at the address of the Property, or at such other place or places as the Borrower shall designate to the Lender in writing, from time to time, for the receipt of communications from the Lender.

12. *No Prohibition Against Prepayment.* Borrower may prepay this Note at any time without penalty.

13. *Governing Law.* This Note shall be construed in accordance with and be governed by the laws of the State of California.

14. *Severability.* If any provision of this Note shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

15. *Time.* Time is of the essence in this Note.

16. *No Waiver by the Lender.* No waiver of any breach, default or failure of condition under the terms of the Note or Deed of Trust shall thereby be implied from any failure of the Lender to take, or any delay by the Lender in taking, action with respect to such breach, default or failure or from any previous waiver of any similar or unrelated breach, default or failure; and a waiver of any term of the Note, Deed of Trust, or any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver.

17. *Successors and Assigns.* The promises and agreements herein contained shall bind and inure to the benefit of, as applicable, the respective heirs, executors, administrators, successors and assigns of the parties.

Executed at _____, California

Borrower

Borrower

WHEN RECORDED RETURN TO:

(For Recorder's Use Only)

**PERMANENT DEED OF TRUST WITH ASSIGNMENT OF RENTS,
SECURITY AGREEMENT AND FIXTURE FILING
CALIFORNIA HOUSING FINANCE AGENCY HOME PURCHASE ASSISTANCE PROGRAM ("HPA")**

SECOND LOAN NO. _____

**NOTICE TO BORROWER
THIS DEED OF TRUST CONTAINS PROVISIONS
PROHIBITING UNAUTHORIZED TRANSFERS**

MIN: _____

DEFINITIONS

(A) "Lender" is _____
Lender is a _____ organized and existing under the laws of _____ .
Lender's address is _____ .

The word "Lender" includes the present Lender, or any future owner or holder, including pledgee, of the indebtedness secured hereby.

(B) "MERS" is Mortgage Electronic Registration Systems, Inc. MERS is a separate corporation that is acting solely as a nominee for Lender and Lender's successors and assigns. MERS is the beneficiary under this Deed of Trust. MERS is organized and existing under the laws of Delaware, and has an address and telephone number of P.O. Box 2026, Flint, MI 48501-2026, tel. (888) 679-MERS.

RECITALS

This Deed of Trust is made on _____, _____, by _____ (the "Borrower") to _____ (the "Trustee"), whose business address is _____ in favor of MERS (solely as nominee for Lender and Lender's successors and assigns) and the successors and assigns of MERS.

1. BORROWER, IN CONSIDERATION OF THE INDEBTEDNESS HEREIN RECITED AND THE TRUST HEREIN CREATED HEREBY IRREVOCABLY GRANTS, TRANSFERS AND ASSIGNS to Trustee in trust, with power of sale and right of entry and possession, all of Borrower's right, title and interest now held or hereafter acquired in and to the following: (a) all of that certain real property (the "Property") located in the County of _____, State of California, described in Exhibit A, which property address is _____

and (b) all buildings, improvements and fixtures now or hereafter erected thereon, and all appurtenances, easements, and articles of property now or hereafter affixed to, placed upon or used in connection with the Property, together with all additions to, substitutions for, changes in or replacements of the whole or any part of said articles of property (all of which real and personal property are sometimes referred to as the "Property"); all of which are hereby pledged and assigned, transferred, and set over onto Trustee, and for purposes of this Deed of Trust declared to be part of the realty; provided, however, that furniture and other personal property of Borrower now or hereafter situated on said real property are not intended to be included as part of the Property. Borrower understands and agrees that MERS holds only legal title to the interests granted by Borrower in this Deed of Trust, but, if necessary to comply with law or custom, MERS (as nominee for Lender and Lender's successors and assigns) has the right to exercise any or all of those interests, including, but not limited to, the right to foreclose and sell the property, and to take any action required of Lender, including, but not limited to, releasing and canceling this Deed of Trust.

2. *Payment of Principal and Interest.* Borrower will promptly pay when due the principal and simple interest, and late charges as applicable, on the indebtedness evidenced by the Note.

3. *Application of Payments.* Unless applicable law or the Note provides otherwise, all payments received by Lender under the Note will be applied by Lender first to interest payable on the Note, and then to the outstanding principal of the Note.

4. *Payment Due.* This loan is due in the event: (a) California Housing Finance Agency's first Note and Deed of Trust becomes all due and payable whether by acceleration or otherwise; (b) the first Note and Deed of Trust is paid in full; (c) the first Note and Deed of Trust is refinanced; (d) the Property is sold or transferred; or (e) the Borrower ceases to occupy the Property as the Borrower's principal place of residence.

BORROWER HEREBY ABSOLUTELY, UNCONDITIONALLY AND IRREVOCABLY ASSIGNS to Lender all rents, royalties, issues, accounts and profits of or relating to the Property. This assignment is absolute, primary and direct and is not intended to be a separate or secondary pledge, or other form of additional security, and no further act or step is or shall be required of Lender to perfect this assignment. This assignment shall not impose upon Lender any duty to cause the Property to produce rents nor shall Lender be deemed to be a mortgagee in possession by reason thereof for any purpose. The right of the Lender to all rents, royalties, issue accounts and profits of, or relating to the Property, are subordinate to the rights of the holder of the first Deed of Trust.

5. THE ABOVE GRANT, TRANSFER, AND ASSIGNMENTS ARE FOR THE PURPOSE OF SECURING:

Payment of the indebtedness evidenced by that certain promissory note of the Borrower dated _____, 20_____, and entitled "California Housing Finance Agency Home Purchase Assistance Program Loan, Second Loan No. _____" (the "Note") of the Borrower in the face amount of _____ (\$_____), together with simple interest on such indebtedness according to the terms of the Note, and any and all amendments, modifications, extensions or renewals of the Note.

6. TO PROTECT THE SECURITY OF THIS DEED OF TRUST, BORROWER AGREES:

6.1 *Maintenance of the Property.* (a) To keep the Property in a decent, safe, sanitary, tenantable condition and repair and permit no waste thereof; (b) not to commit or suffer to be done or exist on or about the Property any condition causing the Property to become less valuable; (c) remove, demolish or structurally alter any buildings and improvements now or hereinafter located on the Property; (d) to repair, restore or rebuild promptly any buildings or improvements on the Property that may become damaged or be destroyed while subject to the lien of this Deed of Trust; (e) to comply with all applicable laws, ordinances and governmental regulations affecting the Property or requiring any alteration or improvement thereof, and not to suffer or permit any violations of any such law, ordinance or governmental regulation, nor of any covenant, condition or restriction affecting the Property; (f) not to initiate or acquiesce in any change in any zoning or other land use or legal classification which affects any of the Property without Lender's written consent; and (g) not to alter the use of all or any part of the Property without the prior written consent of the Lender.

6.2 *Insurance.* To keep the Property insured, with loss payable to Lender, against loss or damage by fire and such other hazards, casualties and contingencies and by such companies, on such forms and in the amount of the replacement cost of the buildings or improvements on the Property, and to deliver the original of all such policies to Lender, together with receipts satisfactory to Lender evidencing payment of the premiums. All such policies shall provide that Lender shall be given thirty (30) days advance written notice of the cancellation, expiration or termination of any such policy or any material change in the coverage afforded by it. Renewal policies and any replacement policies, together with premium receipts satisfactory to Lender, shall be delivered to Lender at least thirty (30) days prior to the expiration of existing policies. Neither Trustee nor Lender shall by reason of accepting, rejecting, approving or obtaining insurance incur any liability for the existence, nonexistence, form or legal sufficiency of such insurance, or solvency of any insurer for payment of losses.

6.3 *Payment of Taxes and Utility Charges.* To pay, at least ten (10) days prior to delinquency, all taxes and assessments, both general and special, fines, penalties, levies and charges of every type or nature levied upon or assessed against any part of the Property.

6.4 *Payment and Discharge of Liens.* Borrower shall pay, when due, all claims of every kind and nature which might become a lien on the Property or any part thereof and will not at any time create or allow to exist any lien on the Property or any part thereof of any kind or nature other than the Agency's first Deed of Trust and this second Deed of Trust; provided, however, that the following are excepted from this prohibition: (a) liens for taxes and assessments which are not delinquent although by law are given the status of a lien, and (b) such of the above claims as are, and only during the time they are, being contested by the Borrower in good faith and by appropriate legal proceedings, and Borrower shall post security for the payment of these contested claims as may be requested by Lender. Borrower shall not default in the payment or performance of any obligation secured by a lien, mortgage or deed of trust which is superior to this Deed of Trust.

7. IT IS MUTUALLY AGREED THAT:

7.1 *Awards and Damages.* All judgments, awards of damages, settlements and compensation made in connection with or in lieu of (a) taking of all or any part of or any interest in the Property by or under assertion of the power of eminent domain, (b) any damage to or destruction of the Property or any part thereof by insured casualty, and (c) any other injury or damage to all or any part of the Property, are hereby assigned to and shall be paid to Lender. Lender is authorized and empowered (but not required) to collect and receive any such sums and is authorized to apply them in whole or in part upon any indebtedness or obligation secured hereby, in such order and manner as Lender shall determine at its option. Lender shall be entitled to settle and adjust all claims under insurance policies provided under this Deed of Trust and may deduct and retain from the proceeds of such insurance the amount of all expenses incurred by it in connection with any such settlement or adjustment. All or any part of the amounts so collected and recovered by Lender may be released to Borrower upon such conditions as Lender may impose for its disposition. Application of all or any part of the amounts collected and received by Lender or the release thereof shall not cure or waive any default under this Deed of Trust. If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within thirty (30) days after the date such notice is mailed, Lender is authorized to collect and apply the proceeds, at Lender's option, either to restoration or repair of the Property or to the sum secured by this Deed of Trust.

7.2 *Prohibition on Transfer of Interests.* Borrower shall not make any sale, lease, conveyance or other transfer of the Property in any form except as contained in paragraph 8.2 herein.

7.3 *Sale or Forbearance.* No sale of the Property, forbearances on the part of Lender or extension of the time for payment of the indebtedness hereby secured shall operate to release, discharge, waive, modify, change or affect the liability of Borrower either in whole or in part.

7.4 *Lender's Rights to Release.* Without affecting the liability of any person for payment of any indebtedness hereby secured (other than any person released pursuant hereto), including without limitation any one or more endorsers or guarantors, and without affecting the lien hereof upon any of the property not released pursuant hereto, at any time and from time to time without notice: (a) Lender may, at its sole discretion, (i) release any person now or hereafter liable for payment of any or all such indebtedness, (ii) extend the time for or agree to alter the

terms of payment of any or all such indebtedness, and (iii) release or accept additional security for such indebtedness, or subordinate the lien or charge hereof; and (b) Trustee, acting pursuant to the written request of Lender, may reconvey all or any part of the Property, consent to the making of any map or plat thereof, join in granting any easement thereon, or join in any such agreement of extension or subordination.

7.5 *Reconveyance.* Upon written request of Lender stating that all sums and obligations secured hereby have been discharged, or otherwise as requested in writing by Lender, and upon surrender of this Deed of Trust and the Note and any additional loan notes to Trustee for cancellation, and upon payment to Trustee of its fees and expenses, Trustee shall reconvey, without warranty, the Property or that part thereof then held hereunder. The recitals in any reconveyance shall be conclusive proof of their truthfulness and the grantee in any such reconveyance may be described "as the person or persons legally entitled thereto". When the Property has been fully reconveyed, the last such reconveyance shall operate as a reassignment of all of the rents, royalties, issues, accounts and profits of the Property to the person or persons legally entitled thereto unless such reconveyance expressly provides to the contrary.

7.6 *Occupancy.* Borrower shall occupy the Property as Borrower's principal place of residence during the term of the Note.

8. EVENTS OF DEFAULT

8.1 *Events of Default.* Any one or more of the following events shall constitute a default under this Deed of Trust: (a) failure of Borrower to pay the indebtedness secured hereby or any installment thereof, whether principal, interest or otherwise, when and as the same become due and payable, whether at maturity or by acceleration or otherwise; or (b) failure of Borrower to observe or to perform any covenant, condition or agreement to be observed or performed by Borrower pursuant to the Note or this Deed of Trust including but not limited to the occupancy of Property by Borrower provision; or (c) the occurrence of any event which, under the terms of the Note, shall entitle Lender to exercise the rights or remedies thereunder; or (d) the occurrence of any event which, under the terms of the First Note and First Deed of Trust shall entitle Lender to exercise the rights or remedies thereunder.

8.2 *Loan Not Assumable, Transfer of Property; Limited Exceptions.* Where Lender administered funds continue to be used in financing the purchase or continued use of the Property, no transfer of the Property will be permitted, and no successor in interest to the Borrower(s) will be permitted to assume the Borrower's loan secured by this Deed of Trust except in the following limited circumstances:

- (a) The transfer results from the death of a Borrower and the transfer is to the surviving Co-Borrower;
- (b) A transfer by a Borrower to his or her spouse when the spouse becomes by such transfer a co-owner of the Property;
- (c) A transfer of the Property resulting from a decree of dissolution of the marriage or legal separation or from a property settlement agreement incidental to such a decree and by which a spouse who is already a Borrower becomes the sole owner of the Property;
- (d) A transfer by a Borrower to an inter vivos trust in which the Borrower is the sole beneficiary.

8.3 *Acceleration and Sale.*

(a) *Acceleration.* In the event of any default as set forth in paragraphs 8.1 and 8.2 above, the Lender, without demand on Borrower, may declare all sums hereby secured immediately due and payable by notice thereof to Borrower or by executing and recording or by causing Trustee to execute and record a notice of default and election to cause the Property to be sold to satisfy the obligations secured hereby or by the commencement of an appropriate action to foreclose this Deed of Trust or by any other appropriate manner;

(b) *Sale.* After delivery to Trustee of a Notice of Default and Demand for Sale and after the expiration of such time and the giving of such notice of default and sale as may then be required by law, and without

demand on Borrower, Trustee shall sell the Property at the time and place of sale fixed by it in said notice of sale, at public auction to the highest bidder for cash in lawful money of the United States of America, payable at time of sale. Trustee may postpone sale of all or any portion of the Property by public announcement at such time and place of sale and from time to time thereafter may postpone such sale by public announcement at the time and place fixed by the preceding postponement. Any person, including Borrower, Trustee or Lender, may purchase at such sale. Upon such sale by Trustee it shall deliver to such purchaser its deed conveying the Property so sold, but without any covenant or warranty expressed or implied. The recitals in such deed of any matters or facts shall be conclusive proof of their truthfulness. Upon sale by Trustee, and after deducting all costs, expenses and fees of Trustee and this Deed of Trust, Trustee shall apply the proceeds of sale to the payment of the principal indebtedness hereby secured, whether evidenced by the Note or otherwise, or representing advances made or costs or expenses paid or incurred by Lender under this Deed of Trust, or the Secured Obligations or any other instrument evidencing or securing any indebtedness hereby secured and to the payment of all other sums then secured hereby, including interest as provided in this Deed of Trust, the Secured Obligations or any other such instrument, in such order as the Lender shall direct; and then the remainder, if any, shall be paid to the person or persons legally entitled thereto.

8.4 *Attorney's Fees.* If Trustee or Lender shall be made parties to or shall intervene in any action or proceeding affecting the Property or the title thereto or the interest of Trustee or Lender under this Deed of Trust, or if Lender employs an attorney to collect any or all of the indebtedness hereby secured or to foreclose this Deed of Trust, or authorizes Trustee to conduct trustee's sale proceedings hereunder, then Trustee and Lender shall be reimbursed by Borrower, immediately and without demand, for all reasonable costs, charges and attorney's fees incurred by them or either of them in any such case whether or not suit be commenced, and the same, together with interest thereon from the date of payment at the rate of ten percent (10%) per annum, shall be secured hereby as provided in paragraph 8.3(b).

8.5 *Exercise of Remedies; Delay.* No exercise of any right or remedy by Lender or Trustee hereunder shall constitute a waiver of any other right or remedy herein contained or provided by law, and no delay by Lender or Trustee in exercising any such right or remedy hereunder shall operate as a waiver thereof or preclude the exercise thereof during the continuance of any default hereunder.

8.6 *Trustee Substitution.* The irrevocable power to appoint a substitute trustee or trustees hereunder is hereby expressly granted to Lender, to be exercised at any time hereafter, without specifying any reason therefor by filing for record in the office where this Deed of Trust is recorded a deed of appointment, and said power of appointment of successor trustee or trustees may be exercised as often as and whenever Lender deems advisable. The exercise of said power of appointment, no matter how often, shall not be deemed an exhaustion thereof, and upon recording of such deed or deeds of appointment, trustee or trustees so appointed shall thereupon, without further act or deed of conveyance, succeed to and become fully vested with identically the same title and estate in and to the Property hereby conveyed and with all the rights, powers, trusts and duties of the predecessor in the trust hereunder, with the like effect as if originally named as trustee or as one of the trustees.

8.7 *Remedies Cumulative.* No remedy herein contained or conferred upon Lender or Trustee is intended to be exclusive of any other remedy or remedies afforded by law or by the terms hereof to Lender or Trustee but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity.

8.8 *HUD Insurance.* Notwithstanding any provision in this Deed of Trust to the contrary, in the event the first deed of trust is insured by HUD, the provisions of said HUD deed of trust shall control and any restrictions contained herein which are in conflict with HUD's mortgage insurance program shall automatically terminate if title to the Property is transferred by foreclosure or deed-in-lieu of foreclosure, or if the Deed of Trust is assigned to HUD.

9. MISCELLANEOUS PROVISIONS

9.1 *Successors, Assigns, Gender, Number.* The covenants and agreements herein contained shall bind, and the benefit and advantages shall inure to, the respective heirs, executors, administrators, successors and assigns of the parties. Wherever used, the singular number shall include the plural, and the plural the singular, and the use of any gender shall be applicable to all genders.

9.2 *Headings.* The headings are inserted only for convenience of reference and in no way define, limit, or describe the scope or intent of this Deed of Trust, or of any particular provision thereof, or the proper construction thereof.

9.3 *Actions on Behalf of Lender.* Except as otherwise specifically provided herein, whenever any approval, notice, direction, consent, request or other action by Lender is required or permitted under this Deed of Trust, such action shall be in writing.

9.4 *Terms.* The word "Lender" means the present Lender, or any future owner or holder, including pledgee, of the indebtedness secured hereby.

9.5 *Obligations of Borrower.* If more than one person has executed this Deed of Trust as "Borrower", the obligations of all such persons hereunder shall be joint and several.

9.6 *Incorporation by Reference.* The provisions of the California Housing Financing Agency Home Purchase Assistance Program security instruments and the documents relating to that program are incorporated by reference as though set out verbatim.

9.7 *Severability.* If any provision of this Deed of Trust shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

9.8 *Indemnification.* Borrower will indemnify and hold Lender, its officers and agents harmless against any and all losses, claims, demands, penalties and liabilities which Lender, its officers or agents may sustain or suffer by reason of anything done or omitted in good faith pursuant to or in connection with this Deed of Trust and not assert any claim against Lender, its officers or agents by reason of any action so taken or omitted. Borrower shall, at Borrower's expense, defend, indemnify, save and hold Lender, its officers and agents harmless from any and all claims, demands, losses, expenses, damages (general, punitive or otherwise), causes of action (whether legal or equitable in nature) asserted by any person, firm, corporation or other entity arising out of this Deed of Trust and Borrower shall pay Lender upon demand all claims, judgments, damages, losses or expenses (including reasonable legal expense) incurred by Lender as a result of any legal action arising out of this Deed of Trust.

9.9 *Subordination.* This Deed of Trust is intended to be subject and subordinate to any other concurrently recorded deed of trust to MERS (as nominee of Lender), as beneficiary, encumbering the Property. Except for the aforementioned subordination, this Deed of Trust is intended to be and remain at all times prior and superior to any other deeds of trust on the Property.

IN WITNESS WHEREOF, Borrower has executed this Deed of Trust on the day and year set forth above. If a mailing address is set forth opposite its signature below, and not otherwise, the Borrower shall be deemed to have requested that a copy of any notice of default and of any notice sale hereunder be mailed to it at such address.

MAILING ADDRESS FOR NOTICES

SIGNATURE OF BORROWER

(Street)

(City) (State) (Zip)

Acknowledgements

WHEN RECORDED RETURN TO:

(For Recorder's Use Only)

**PERMANENT DEED OF TRUST WITH ASSIGNMENT OF RENTS,
SECURITY AGREEMENT AND FIXTURE FILING
CALIFORNIA HOUSING FINANCE AGENCY HOME PURCHASE ASSISTANCE PROGRAM ("HPA")**

SECOND LOAN NO. _____

**NOTICE TO BORROWER
THIS DEED OF TRUST CONTAINS PROVISIONS
PROHIBITING UNAUTHORIZED TRANSFERS**

This Deed of Trust is made on _____, 20_____, by _____
_____ (the "Borrower"), to
_____ (the "Trustee"), whose business address is

in favor of _____
(the "Lender") or Assignee, whose address is _____

RECITALS

1. BORROWER, IN CONSIDERATION OF THE INDEBTEDNESS HEREIN, RECITED AND THE TRUST HEREIN CREATED HEREBY IRREVOCABLY GRANTS, TRANSFERS AND ASSIGNS to Trustee in trust, with power of sale and right of entry and possession, all of Borrower's right, title and interest now held or hereafter acquired in and to the following: (a) all of that certain real property (the "Property") located in the County of _____, State of California, described in Exhibit A (attached) which is incorporated herein by this reference; and (b) all buildings, improvements and fixtures now or hereafter erected thereon, and all appurtenances, easements, and articles of property now or hereafter affixed to, placed upon or used in connection with the Property, together with all additions to, substitutions for, changes in or replacements of the whole or any part of said articles of property (all of which real and personal property are sometimes referred to as the "Property"); all of which are hereby pledged and assigned, transferred, and set over onto Trustee, and for purposes of this Deed of Trust declared to be part of the realty; provided, however, that furniture and other personal property of Borrower now or hereafter situated on said real property are not intended to be included as part of the Property.

2. *Payment of Principal and Interest.* Borrower will promptly pay when due the principal and simple interest, and late charges as applicable, on the indebtedness evidenced by the Note.

3. *Application of Payments.* Unless applicable law or the Note provides otherwise, all payments received by Lender under the Note will be applied by Lender first to interest payable on the Note, and then to the outstanding principal of the Note.

4. *Payment Due.* This loan is due in the event: (a) California Housing Finance Agency's first Note and Deed of Trust becomes all due and payable whether by acceleration or otherwise; (b) the first Note and Deed of Trust is paid in full; (c) the first Note and Deed of Trust is refinanced; (d) the Property is sold or transferred; or (e) the Borrower ceases to occupy the Property as the Borrower's principal place of residence.

BORROWER HEREBY ABSOLUTELY, UNCONDITIONALLY AND IRREVOCABLY ASSIGNS to Lender all rents, royalties, issues, accounts and profits of or relating to the Property. This assignment is absolute, primary and direct and is not intended to be a separate or secondary pledge, or other form of additional security, and no further act or step is or shall be required of Lender to perfect this assignment. This assignment shall not impose upon Lender any duty to cause the Property to produce rents nor shall Lender be deemed to be a mortgagee in possession by reason thereof for any purpose. The right of the Lender to all rents, royalties, issue accounts and profits of, or relating to the Property, are subordinate to the rights of the holder of the first Deed of Trust.

5. THE ABOVE GRANT, TRANSFER, AND ASSIGNMENTS ARE FOR THE PURPOSE OF SECURING:

Payment of the indebtedness evidenced by that certain promissory note of the Borrower dated _____, 20_____, and entitled "California Housing Finance Agency Home Purchase Assistance Program Loan, Second Loan No. _____" (the "Note") of the Borrower in the face amount of _____ (\$ _____), together with simple interest on such indebtedness according to the terms of the Note, and any and all amendments, modifications, extensions or renewals of the Note.

6. TO PROTECT THE SECURITY OF THIS DEED OF TRUST, BORROWER AGREES:

6.1 *Maintenance of the Property.* (a) To keep the Property in a decent, safe, sanitary, tenantable condition and repair and permit no waste thereof; (b) not to commit or suffer to be done or exist on or about the Property any condition causing the Property to become less valuable; (c) remove, demolish or structurally alter any buildings and improvements now or hereinafter located on the Property; (d) to repair, restore or rebuild promptly any buildings or improvements on the Property that may become damaged or be destroyed while subject to the lien of this Deed of Trust; (e) to comply with all applicable laws, ordinances and governmental regulations affecting the Property or requiring any alteration or improvement thereof, and not to suffer or permit any violations of any such law, ordinance or governmental regulation, nor of any covenant, condition or restriction affecting the Property; (f) not to initiate or acquiesce in any change in any zoning or other land use or legal classification which affects any of the Property without Lender's written consent; and (g) not to alter the use of all or any part of the Property without the prior written consent of the Lender.

6.2 *Insurance.* To keep the Property insured, with loss payable to Lender, against loss or damage by fire and such other hazards, casualties and contingencies and by such companies, on such forms and in the amount of the replacement cost of the buildings or improvements on the Property, and to deliver the original of all such policies to Lender, together with receipts satisfactory to Lender evidencing payment of the premiums. All such policies shall provide that Lender shall be given thirty (30) days advance written notice of the cancellation, expiration or termination of any such policy or any material change in the coverage afforded by it. Renewal policies and any replacement policies, together with premium receipts satisfactory to Lender, shall be delivered to Lender at least thirty (30) days prior to the expiration of existing policies. Neither Trustee nor Lender shall by reason of accepting, rejecting, approving or obtaining insurance incur any liability for the existence, nonexistence, form or legal sufficiency of such insurance, or solvency of any insurer for payment of losses.

6.3 *Payment of Taxes and Utility Charges.* To pay, at least ten (10) days prior to delinquency, all taxes and assessments, both general and special, fines, penalties, levies and charges of every type or nature levied upon or assessed against any part of the Property.

6.4 *Payment and Discharge of Liens.* Borrower shall pay, when due, all claims of every kind and nature which might become a lien on the Property or any part thereof and will not at any time create or allow to exist any lien on the Property or any part thereof of any kind or nature other than the Agency's first Deed of Trust and this

second Deed of Trust; provided, however, that the following are excepted from this prohibition: (a) liens for taxes and assessments which are not delinquent although by law are given the status of a lien, and (b) such of the above claims as are, and only during the time they are, being contested by the Borrower in good faith and by appropriate legal proceedings, and Borrower shall post security for the payment of these contested claims as may be requested by Lender. Borrower shall not default in the payment or performance of any obligation secured by a lien, mortgage or deed of trust which is superior to this Deed of Trust.

7. IT IS MUTUALLY AGREED THAT:

7.1 *Awards and Damages.* All judgments, awards of damages, settlements and compensation made in connection with or in lieu of (a) taking of all or any part of or any interest in the Property by or under assertion of the power of eminent domain, (b) any damage to or destruction of the Property or any part thereof by insured casualty, and (c) any other injury or damage to all or any part of the Property, are hereby assigned to and shall be paid to Lender. Lender is authorized and empowered (but not required) to collect and receive any such sums and is authorized to apply them in whole or in part upon any indebtedness or obligation secured hereby, in such order and manner as Lender shall determine at its option. Lender shall be entitled to settle and adjust all claims under insurance policies provided under this Deed of Trust and may deduct and retain from the proceeds of such insurance the amount of all expenses incurred by it in connection with any such settlement or adjustment. All or any part of the amounts so collected and recovered by Lender may be released to Borrower upon such conditions as Lender may impose for its disposition. Application of all or any part of the amounts collected and received by Lender or the release thereof shall not cure or waive any default under this Deed of Trust. If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within thirty (30) days after the date such notice is mailed, Lender is authorized to collect and apply the proceeds, at Lender's option, either to restoration or repair of the Property or to the sum secured by this Deed of Trust.

7.2 *Prohibition on Transfer of Interests.* Borrower shall not make any sale, lease, conveyance or other transfer of the Property in any form except as contained in paragraph 8.2 herein.

7.3 *Sale or Forbearance.* No sale of the Property, forbearances on the part of Lender or extension of the time for payment of the indebtedness hereby secured shall operate to release, discharge, waive, modify, change or affect the liability of Borrower either in whole or in part.

7.4 *Lender's Rights to Release.* Without affecting the liability of any person for payment of any indebtedness hereby secured (other than any person released pursuant hereto), including without limitation any one or more endorsers or guarantors, and without affecting the lien hereof upon any of the property not released pursuant hereto, at any time and from time to time without notice: (a) Lender may, at its sole discretion, (i) release any person now or hereafter liable for payment of any or all such indebtedness, (ii) extend the time for or agree to alter the terms of payment of any or all such indebtedness, and (iii) release or accept additional security for such indebtedness, or subordinate the lien or charge hereof; and (b) Trustee, acting pursuant to the written request of Lender, may reconvey all or any part of the Property, consent to the making of any map or plat thereof, join in granting any easement thereon, or join in any such agreement of extension or subordination.

7.5 *Reconveyance.* Upon written request of Lender stating that all sums and obligations secured hereby have been discharged, or otherwise as requested in writing by Lender, and upon surrender of this Deed of Trust and the Note and any additional loan notes to Trustee for cancellation, and upon payment to Trustee of its fees and expenses, Trustee shall reconvey, without warranty, the Property or that part thereof then held hereunder. The recitals in any reconveyance shall be conclusive proof of their truthfulness and the grantee in any such reconveyance may be described "as the person or persons legally entitled thereto". When the Property has been fully reconveyed, the last such reconveyance shall operate as a reassignment of all of the rents, royalties, issues, accounts and profits of the Property to the person or persons legally entitled thereto unless such reconveyance expressly provides to the contrary.

7.6 *Occupancy.* Borrower shall occupy the Property as Borrower's principal place of residence during the term of the Note.

8. EVENTS OF DEFAULT

8.1 *Events of Default.* Any one or more of the following events shall constitute a default under this Deed of Trust: (a) failure of Borrower to pay the indebtedness secured hereby or any installment thereof, whether principal, interest or otherwise, when and as the same become due and payable, whether at maturity or by acceleration or otherwise; or (b) failure of Borrower to observe or to perform any covenant, condition or agreement to be observed or performed by Borrower pursuant to the Note or this Deed of Trust including but not limited to the occupancy of Property by Borrower provision; or (c) the occurrence of any event which, under the terms of the Note, shall entitle Lender to exercise the rights or remedies thereunder; or (d) the occurrence of any event which, under the terms of the First Note and First Deed of Trust shall entitle Lender to exercise the rights or remedies thereunder.

8.2 *Loan Not Assumable, Transfer of Property; Limited Exceptions.* Where Lender administered funds continue to be used in financing the purchase or continued use of the Property, no transfer of the Property will be permitted, and no successor in interest to the Borrower(s) will be permitted to assume the Borrower's loan secured by this Deed of Trust except in the following limited circumstances:

- (a) The transfer results from the death of a Borrower and the transfer is to the surviving Co-Borrower;
- (b) A transfer by a Borrower to his or her spouse when the spouse becomes by such transfer a co-owner of the Property;
- (c) A transfer of the Property resulting from a decree of dissolution of the marriage or legal separation or from a property settlement agreement incidental to such a decree which requires the Borrower to continue to make payments on the Note and by which a spouse who is already a Borrower becomes the sole owner of the Property;
- (d) A transfer by a Borrower to an inter vivos trust in which the Borrower is the sole beneficiary.

8.3 *Acceleration and Sale.*

(a) *Acceleration.* In the event of any default as set forth in paragraphs 8.1 and 8.2 above, the Lender, without demand on Borrower, may declare all sums hereby secured immediately due and payable by notice thereof to Borrower or by executing and recording or by causing Trustee to execute and record a notice of default and election to cause the Property to be sold to satisfy the obligations secured hereby or by the commencement of an appropriate action to foreclose this Deed of Trust or by any other appropriate manner;

(b) *Sale.* After delivery to Trustee of a Notice of Default and Demand for Sale and after the expiration of such time and the giving of such notice of default and sale as may then be required by law, and without demand on Borrower, Trustee shall sell the Property at the time and place of sale fixed by it in said notice of sale, at public auction to the highest bidder for cash in lawful money of the United States of America, payable at time of sale. Trustee may postpone sale of all or any portion of the Property by public announcement at such time and place of sale and from time to time thereafter may postpone such sale by public announcement at the time and place fixed by the preceding postponement. Any person, including Borrower, Trustee or Lender, may purchase at such sale. Upon such sale by Trustee it shall deliver to such purchaser its deed conveying the Property so sold, but without any covenant or warranty expressed or implied. The recitals in such deed of any matters or facts shall be conclusive proof of their truthfulness. Upon sale by Trustee, and after deducting all costs, expenses and fees of Trustee and this Deed of Trust, Trustee shall apply the proceeds of sale to the payment of the principal indebtedness hereby secured, whether evidenced by the Note or otherwise, or representing advances made or costs or expenses paid or incurred by Lender under this Deed of Trust, or the Secured Obligations or any other instrument evidencing or securing any indebtedness hereby secured and to the payment of all other sums then secured hereby, including interest as provided in this Deed of Trust, the Secured Obligations or any other such instrument, in such order as the Lender shall direct; and then the remainder, if any, shall be paid to the person or persons legally entitled thereto.

8.4 *Attorney's Fees.* If Trustee or Lender shall be made parties to or shall intervene in any action or proceeding affecting the Property or the title thereto or the interest of Trustee or Lender under this Deed of Trust, or

if Lender employs an attorney to collect any or all of the indebtedness hereby secured or to foreclose this Deed of Trust, or authorizes Trustee to conduct trustee's sale proceedings hereunder, then Trustee and Lender shall be reimbursed by Borrower, immediately and without demand, for all reasonable costs, charges and attorney's fees incurred by them or either of them in any such case whether or not suit be commenced, and the same, together with interest thereon from the date of payment at the rate of ten percent (10%) per annum, shall be secured hereby as provided in paragraph 8.3(b).

8.5 *Exercise of Remedies; Delay.* No exercise of any right or remedy by Lender or Trustee hereunder shall constitute a waiver of any other right or remedy herein contained or provided by law, and no delay by Lender or Trustee in exercising any such right or remedy hereunder shall operate as a waiver thereof or preclude the exercise thereof during the continuance of any default hereunder.

8.6 *Trustee Substitution.* The irrevocable power to appoint a substitute trustee or trustees hereunder is hereby expressly granted to Lender, to be exercised at any time hereafter, without specifying any reason therefor by filing for record in the office where this Deed of Trust is recorded a deed of appointment, and said power of appointment of successor trustee or trustees may be exercised as often as and whenever Lender deems advisable. The exercise of said power of appointment, no matter how often, shall not be deemed an exhaustion thereof, and upon recording of such deed or deeds of appointment, trustee or trustees so appointed shall thereupon, without further act or deed of conveyance, succeed to and become fully vested with identically the same title and estate in and to the Property hereby conveyed and with all the rights, powers, trusts and duties of the predecessor in the trust hereunder, with the like effect as if originally named as trustee or as one of the trustees.

8.7 *Remedies Cumulative.* No remedy herein contained or conferred upon Lender or Trustee is intended to be exclusive of any other remedy or remedies afforded by law or by the terms hereof to Lender or Trustee but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity.

8.8 *HUD Insurance.* Notwithstanding any provision in this Deed of Trust to the contrary, in the event the first deed of trust is insured by HUD, the provisions of said HUD deed of trust shall control and any restrictions contained herein which are in conflict with HUD's mortgage insurance program shall automatically terminate if title to the Property is transferred by foreclosure or deed-in-lieu of foreclosure, or if the Deed of Trust is assigned to HUD.

9. MISCELLANEOUS PROVISIONS

9.1 *Successors, Assigns, Gender, Number.* The covenants and agreements herein contained shall bind, and the benefit and advantages shall inure to, the respective heirs, executors, administrators, successors and assigns of the parties. Wherever used, the singular number shall include the plural, and the plural the singular, and the use of any gender shall be applicable to all genders.

9.2 *Headings.* The headings are inserted only for convenience of reference and in no way define, limit, or describe the scope or intent of this Deed of Trust, or of any particular provision thereof, or the proper construction thereof.

9.3 *Actions on Behalf of Lender.* Except as otherwise specifically provided herein, whenever any approval, notice, direction, consent, request or other action by Lender is required or permitted under this Deed of Trust, such action shall be in writing.

9.4 *Terms.* The word "Lender" means the present Lender, or any future owner or holder, including pledgee, of the indebtedness secured hereby.

9.5 *Obligations of Borrower.* If more than one person has executed this Deed of Trust as "Borrower", the obligations of all such persons hereunder shall be joint and several.

9.6 *Incorporation by Reference.* The provisions of the California Housing Financing Agency Home Purchase Assistance Program security instruments and the documents relating to that program are incorporated by reference as though set out verbatim.

9.7 *Severability.* If any provision of this Deed of Trust shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

9.8 *Indemnification.* Borrower will indemnify and hold Lender, its officers and agents harmless against any and all losses, claims, demands, penalties and liabilities which Lender, its officers or agents may sustain or suffer by reason of anything done or omitted in good faith pursuant to or in connection with this Deed of Trust and not assert any claim against Lender, its officers or agents by reason of any action so taken or omitted. Borrower shall, at Borrower's expense, defend, indemnify, save and hold Lender, its officers and agents harmless from any and all claims, demands, losses, expenses, damages (general, punitive or otherwise), causes of action (whether legal or equitable in nature) asserted by any person, firm, corporation or other entity arising out of this Deed of Trust and Borrower shall pay Lender upon demand all claims, judgments, damages, losses or expenses (including reasonable legal expense) incurred by Lender as a result of any legal action arising out of this Deed of Trust.

9.9 *Subordination.* This Deed of Trust is intended to be subject and subordinate to a deed of trust to Lender, as beneficiary, recorded concurrently herewith. Except for the aforementioned subordination, this Deed of Trust is intended to be and remain at all times prior and superior to any other deeds of trust on the Property.

IN WITNESS WHEREOF, Borrower has executed this Deed of Trust on the day and year set forth above. If a mailing address is set forth opposite its signature below, and not otherwise, the Borrower shall be deemed to have requested that a copy of any notice of default and of any notice sale hereunder be mailed to it at such address.

MAILING ADDRESS FOR NOTICES

SIGNATURE OF BORROWER

(Street)

(City) (State) (Zip)

Acknowledgements



MORTGAGE SUBMISSION VOUCHER PART II
PURCHASE SUBMITTAL AND LENDER CERTIFICATION

LENDER NAME: _____ LENDER LOAN NO. _____

MERS "MIN" #: _____ - _____ - _____
(7 digit) (10 Digit) (Check Digit)

SHIPPING OFFICE ADDRESS: _____

SHIPPER CONTACT: _____ PHONE: _____ FAX: _____

CHFA MANIFEST NUMBER: _____ FHA/VA CASE NUMBER: _____

BORROWER: _____ CO-BORROWER: _____
(Last) (First) (Initial) (Last) (First) (Initial)

NEW PROPERTY ADDRESS: _____
(if different from property address, i.e. P.O. Box, route, etc.)

BORROWER'S MAILING ADDRESS: _____

Table with financial details: Principal Loan Amount, Monthly Payment, P & I Mo. Pymt., Current Unpaid Balance, Impound Amounts, Property Taxes, Next pymt due date, Hazard Insur., Interest Rate, Mtg. Insur., Other, Total (PITI), and checkboxes for FIXED RATE and ARM.

Service Released to CHFA? [] YES [] NO **If YES, See documents required at reverse of this form)

Will loan be serviced released to a CHFA Approved Lender? [] YES [] NO
(If YES, provide Lender name and servicing office address.)

LENDER NAME and OFFICE ADDRESS: _____

Will loan be serviced by Sub-servicer? [] YES [] NO
(If YES, provide Lender name and servicing office address of sub-servicer.)

SUB-SERVICER NAME and OFFICE ADDRESS: _____

CASH DOWNPAYMENT: \$ _____ SWEAT EQUITY/OTHER: \$ _____

TOTAL CLOSING COSTS PAID BY BORROWER: \$ _____ APPLICATION FEE: \$ _____

SETTLEMENT DATE: _____

AMOUNT OF FEES PAID TO LENDER:

Origination: \$ _____ Processing: \$ _____ Underwriting: \$ _____

Application: \$ _____ Other: \$ _____

SUBORDINATED DEBT INFORMATION

Include CHFA "CHAP" if applicable

1. Principal Loan Amount: \$ _____	Interest Rate: _____ %	Monthly pymt amount (if any): \$ _____
Term (in months) _____	Purpose of debt provided by public assistance: <input type="checkbox"/> Downpayment <input type="checkbox"/> Closing Costs	
CHAP <input type="checkbox"/> YES <input type="checkbox"/> NO	MERS "MIN" #: _____ - _____ (if applicable)	
	(7 Digit)	(10 Digit) (Check Digit)
2. Principal Loan Amount: \$ _____	Interest Rate: _____ %	Monthly pymt amount (if any): \$ _____
Term (in months) _____	Purpose of debt provided by public assistance: <input type="checkbox"/> Downpayment <input type="checkbox"/> Closing Costs	
3. Principal Loan Amount: \$ _____	Interest Rate: _____ %	Monthly pymt amount (if any): \$ _____
Term (in months) _____	Purpose of debt provided by public assistance: <input type="checkbox"/> Downpayment <input type="checkbox"/> Closing Costs	

REQUIRED DOCUMENTS FOR PURCHASE

1. MSV PART II: PURCHASE SUBMITTAL AND LENDER CERTIFICATION (THIS FORM)
2. ORIGINAL PROMISSORY NOTE WITH ALL APPLICABLE ADDENDA/RIDERS ENDORSED OVER TO THE CALIFORNIA HOUSING FINANCE AGENCY
3. HUD 1 SETTLEMENT STATEMENT
4. TITLE COMPANY CERTIFIED COPY OF THE FULLY EXECUTED DEED OF TRUST
5. TITLE COMPANY CERTIFIED COPY OF THE FULLY EXECUTED ASSIGNMENT(S) OF THE DEED OF TRUST TO THE AGENCY

LENDER'S CLOSING CERTIFICATIONS

The Lender has originated the CHFA loan. The Lender has received, examined, and previously submitted to CHFA true and complete signed copies of the Borrower's Affidavit, the Seller's Affidavit, and of all Borrower Federal income tax returns for the three (3) years period prior to (reservation date) or such other verification as required pursuant to CHFA Program requirements.

After reasonable investigation, the Lender hereby certifies that the following information is true and correct: the total purchase price of the home financed by this loan is in compliance with the CHFA Program requirements; the Borrower had no present ownership interest in a principal residence at any time during the three (3) years prior to (date of application) unless the home financed by this loan is located in a target area; and the Borrower's gross annual income is in compliance with the CHFA Program requirements.

Based on reasonable investigation, the Lender is aware of no material change in the circumstances represented by the Lender to CHFA and upon which CHFA relied in issuing the CHFA reservation and loan approval to the Lender. All statements and certifications contained in the reservation and loan file remain true and correct.

Based on reasonable investigation, the Lender has no reason to believe that either the Borrowers or the Sellers of the home have made any negligent or fraudulent material misstatements in connection with the loan.

The Lender certifies that:

- The appropriate Tax Exempt Financing Riders were attached and made a part of the promissory note and deed of trust and were executed and recorded appropriately where applicable for FHA insured or VA guaranteed loans;
- the loan has been fully underwritten and approved, and meets the mortgage insurer's underwriting guidelines; the Lender will submit an insurance loan package to the applicable mortgage insurer/guarantor and will obtain and retain the appropriate mortgage insurance certificate or loan guarantee certificate for the term of the loan;
- the Borrower(s) did not pay more than a 1% origination fee, a \$350 application/processing fee, \$200 doc. preparation fee and the usual and customary out of pocket expenses with respect to the loan;
- the Lender has explained and the Borrower has reviewed and executed the Federal Recapture Notice;
- Alta Lenders' Title Insurance Policy reflecting CHFA as insured with endorsements 100, 116, 116.2, 115 (if applicable) and 104.01 (if Agency not previously named as insured);
- the Borrower has obtained the required hazard insurance policies (hazard/flood/earthquake as applicable) with respect to the home and the Lender will ensure that the policies are kept in force for the term of the loan;
- the Lender has established a monthly impound account for the Borrower(s) for the term of the loan for hazard insurance, mortgage insurance and real property taxes payments;
- and the Lender has completed and/or satisfied all of the CHFA conditions of loan approval and other CHFA requirements.

The Lender hereby agrees that it will immediately forward to CHFA all information which it or any of its successors may receive during the life of the mortgage which tends to indicate that the Borrower(s) may have made a misrepresentation in applying for a loan, or that may affect the Borrower's eligibility for a loan. The Lender hereby acknowledges that its failure to comply with the CHFA requirements or the certifications made in this statement will result in remedial action by CHFA as prescribed in the Program Manual and the CHFA Mortgage Purchase and Servicing Agreement (or Mortgage Purchase Agreement).

(Signature of Authorized Representative) (Date)

(Type Name and Title of Authorized Representative) (Phone)

FOR SERVICED-RELEASED LOANS TO CHFA ONLY

If the loan is to be serviced-released to CHFA upon purchase, please refer to the following Service-Release Procedures:

- A. Even though CHFA will purchase a loan based only on the receipt of an executed Note, the loan file must contain the following items, in addition to the Note:
 - 1. HUD 1, Settlement Statement; the recorded Deed of Trust and Corporation Assignment; and the Title Insurance Policy reflecting the California Housing Finance Agency as the insured.
 - 2. For FHA-insured loans, the Mortgage Credit Analysis Worksheet. For VA-guaranteed loans, the VA Loan Analysis Form 26-6393. For conventionally-insured loans, the Uniform Underwriting summary or some other similar document showing the payment breakdown.
 - 3. Declaration of Insurance from the hazard/flood/earthquake insurance carrier.
 - 4. HUD Form 92080 for FHA-insured loans.
 - 5. If applicable, Buydown Agreement outlining terms of the agreement.
 - 6. For conventionally-insured loans, the certification of insurance. For FHA-insured and VA-guaranteed loans, upon receipt of the certificate, forward to CHFA, 1121 L Street, Suite 103, Sacramento, CA 95814.
- B. CHFA will deduct the escrow balance, buydown balance, and tax service fee from the purchase price. The service release fee is added to the purchase price.
- C. Do not set the loan up on a tax service contract. CHFA will set up the tax service contract after the loan is purchased.
- D. Payments received by the originating lender should be forwarded to CHFA immediately. Lender should bill CHFA for any disbursements made after the loan has been purchased. Billing should include a history of the account showing the transaction.
- E. The "Goodbye Letter" should be mailed to the borrower upon lender receiving funds from CHFA. The letter should include CHFA's payment processing address of P.O. Box 13819, Sacramento, CA 95853-3819. The Loan Servicing Customer Service number is (800) 669-1079.
- F. CHFA should be named as the loss payee and the notification to the insurance company should include a statement that future premium notices should be sent to CHFA, 1121 L Street, Suite 103, Sacramento, CA 95814.

*Note: All blanks must be completed in order for the form to be valid.