



Program Bulletin

September 7, 2001

Program Bulletin #2001-21

To: CHFA Approved Lenders

High Cost Area Home Purchase Assistance Program (HiCAP)

This Program Bulletin announces the new High Cost Area Home Purchase Assistance Pilot Program (HiCAP). This program is designed to assist first-time homebuyers in the highest housing cost areas of the state. The HiCAP is a combination of a CHFA 30-year fixed rate first loan and a deferred payment, 3% simple interest rate, 30-year second loan up to \$25,000. The HiCAP may be combined with other assistance programs offered by CHFA, as well as approved local government assistance programs. This pilot program has a limited funding allocation of \$9.5 million for second loan programs and is available only on a first-come, first-served basis in designated extreme high cost areas. The designated extreme high cost counties eligible for this program are: **San Francisco, San Mateo, and Santa Clara.** The first-time homebuyer whose home purchase is within the CHFA sales price limits of these counties, and whose family income does not exceed CHFA income limits, adjusted for county and family size, are eligible for this program. The information in this Program Bulletin is to be used in conjunction with the CHFA Program Manual, and the Mortgage Purchase and Servicing Agreement.

EFFECTIVE DATE OF LOAN RESERVATIONS

The HiCAP as described in this bulletin is effective only with loan reservations made on or after **September 10, 2001**. Borrowers with pre-existing reservations (prior to September 7, 2001) who wish to apply for the HiCAP under the guidelines described herein must cancel the existing reservation and relock the loan reservation under the new guidelines.

PROGRAM PURPOSE, USE AND TERMS

The HiCAP is designed to provide affordable financing to prospective eligible first-time homebuyers in the designated high cost areas who otherwise, without this assistance, would not be able to purchase a home. It generally consists of a standard CHFA first loan insured by FHA, VA or CaHLIF combined with a Home Purchase Assistance (HiCAP-HPA) down payment assistance second loan up to \$25,000. CaHLIF will underwrite all conventional loans, and CaHLIF insurance is required on loans with an LTV of 80% and higher. The \$25,000 second loan can be used only for down payment and not closing costs.

Interest rates on the first loan are established under the CHFA standard program rates for both new construction and existing resale homes. CHFA Affordable Housing Partnership Program (AHPP) interest rates will apply for low-income borrowers where CHFA has been approved and is used in conjunction with the HiCAP. Extra Credit Teacher Program rates are equivalent to the AHPP rate for High Cost Areas and are applied to both low and moderate income home buying teachers and principals.(see below). 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 HiCAP-HPA second is a 30-year deferred payment loan with a maximum principal amount up to \$25,000. The interest rate is fixed on the second and is currently set at three percent (3%) per annum simple interest.

USED WITH CHFA AND OTHER LOCAL HOUSING AGENCY SUBORDINATE FINANCING PROGRAMS

The CHFA Homeownership Assistance Program (CHAP) loan also may be combined with HiCAP and take a third position. Additionally, CHFA will permit the borrower to use other local agency subordinate financing to help in the acquisition of the home, provided the applicable subordinate financing has been previously approved under AHPP by CHFA. Local agency down payment assistance programs must be subordinate to any CHFA financing.

USED IN CONJUNCTION WITH THE EXTRA CREDIT TEACHER PROGRAM

The HiCAP loan program may be used in conjunction with CHFA's Extra Credit Teacher Program (see Program Bulletin #2001-13). This combination of the \$25,000 HiCAP second loan with the \$7,500 Extra Credit Teacher Program second loan creates a hybrid second loan up to \$32,500 for eligible teachers and principals. When combining these seconds, lenders will use a special HiCAP/Extra Credit Teacher Deed of Trust (Dated 07/06/01) for the hybrid

second loan with two notes: HPA Promissory Note (dated 05/01) and HPA Promissory Note - Extra Credit Teacher Program (Dated 06/01) both secured by the same Deed of Trust. It should be noted that combination of CHFA loans cannot exceed 100% CLTV (except for FHA loans that include the up front mortgage insurance premium, if applicable).

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 website. Homebuyers must purchase a home in one of the designated Extreme High Cost counties of San Francisco, San Mateo, or Santa Clara.

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.

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, updated by Program Bulletin 2000-18 dated October 17, 2000, for current requirements. Sales price limits are subject to change and will be announced by Program Bulletin when applicable, and are available on CHFA's website.

LOAN PROCESSING AND PURCHASE DOCUMENTATION PROCEDURES

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

SUBMISSION OF LOAN PURCHASE DOCUMENTS

If the lender is not using MERS as the designated beneficiary (as nominee), CHFA first loan Promissory Note and Deeds of Trust (dated 05/01), HPA

Promissory Note and Deed of Trust (dated 05/01) for HiCAP loans must be used. The Lender is to prepare and record an Assignment of the Deed of Trust for the HiCAP-HPA second loan in addition to the Assignment prepared and recorded for the CHFA first loan.

CHFA also 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., HiCAP second loan) with MERS as nominee shall continue the MERS process for all subsequent loans. Please refer to the Program Bulletin #2001-4 for MERS procedures.

Lenders using the MERS procedure are advised to select the MERS version of the notes and deeds of trust. Copies of both 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."

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) 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;
6. The original recorded or title company/escrow company certified copy of the Request for Notice of Default (for junior loans); and
7. HUD-1 and, where applicable, FHA Riders.

CHFA will fund only the outstanding principal balance of the second loan. 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 service release fee. Currently, CHFA pays service release fees on first mortgage loans only of 75 basis points for VA loans, and 90 basis points for FHA and Conventional loans. The second loans also 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 on any CHFA loan is due upon either of the following events: sale or transfer of the secured property; refinance or payoff of the first loan; borrower's failure to occupy the property as his/her principal residence; or upon the formal filing and recording of a Notice of Default (unless rescinded). Prepayment of the HiCAP-HPA second is permitted at any time. CHFA does not charge prepayment penalties.

At the time the loans are accepted into CHFA Loan Servicing, CHFA will notify the borrower of the HiCAP first and second loan numbers and provide instructions to the borrower regarding procedures for prepayments of loans to be made directly to CHFA.

COMPENSATION TO LENDERS

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

QUESTIONS

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

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.

List of Attached Documents

MSV Part II (Purchase Submittal and Lender Certification (4/01)
Subordinate Financing MSV (05/01)

CHFA 1st Mortgage

CHFA/CaHLIF Promissory Note (Conventional Only) (05/01)
CHFA/CaHLIF Deed of Trust (Conventional Only) (05/01)

CHFA 2nd Mortgage

HPA Promissory Note (05/01)
HPA Deed of Trust (06/01)

For use with Extra Credit Teacher Program

HPA Promissory Note – Extra Credit Teacher Program (06/01)
HiCAP/Extra Credit Teacher Deed of Trust (07/06/01)



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 4 columns: 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). Includes 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: Downpayment Closing Costs

CHAP YES 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: Downpayment Closing Costs

3. Principal Loan Amount: \$ _____ Interest Rate: _____ % Monthly pymt amount (if any): \$ _____
 Term (in months) _____ Purpose of debt provided by public assistance: Downpayment 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.



**SUBORDINATE FINANCING
MORTGAGE SUBMISSION VOUCHER
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: _____

PRINCIPAL LOAN AMOUNT: \$ _____ CURRENT UNPAID BALANCE: \$ _____

REQUIRED DOCUMENTS FOR PURCHASE

1. SUBORDINATE FINANCING MSV: 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 SUBORDINATE FINANCING DEED OF TRUST
5. TITLE COMPANY OR LENDER CERTIFIED COPY OF THE FULLY EXECUTED SUBORDINATE FINANCING ASSIGNMENT(S) OF THE DEED OF TRUST TO THE AGENCY
6. TITLE COMPANY OR LENDER CERTIFIED COPY OF REQUEST FOR NOTICE OF DEFAULT (on first mortgage)
7. TITLE POLICY

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.
- B. Do not set the loan up on a tax service contract. CHFA will set up the tax service contract after the loan is purchased.
- C. 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.
- D. 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.
- E. 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.

(Signature of Authorized Representative) (Date)

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

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

NOTICE TO BORROWER:
THIS DOCUMENT CONTAINS PROVISIONS RESTRICTING ASSUMPTIONS

PROMISSORY NOTE

\$ _____

Loan No. _____
_____, California
_____, _____

FOR VALUE RECEIVED, the undersigned ("Borrower") promise(s) to pay to _____
_____ (together with its successors in interest herein referred to as "Lender"), or
order, the principal sum of _____
Dollars (\$ _____), with interest on the unpaid principal balance from the date of this Promissory Note
("Note") until paid, at the rate of _____ percent (_____ %) per annum.
Principal and interest shall be payable at the principal office of the holder hereof _____
_____, or such other place as such holder may designate. Principal
and interest shall be payable initially in consecutive monthly installments of _____
_____ Dollars (\$ _____), on the _____ day of each month beginning
_____. Such monthly installments shall continue until the entire indebtedness
evidenced by this note is fully paid, except that any remaining indebtedness, if not sooner paid, shall be due and
payable on _____, 20 _____.

This Note evidences funds loaned to Borrower to finance the acquisition of certain real property and
improvements thereon ("Property") described in that Deed of Trust securing this indebtedness, dated of even date
herewith ("Deed of Trust").

Borrower understands that the interest rate on this Note is a below market interest rate because Lender intends
to transfer the loan evidenced by this Note to the California Housing Finance Agency, a public instrumentality and
political subdivision of the State of California ("Agency"). The Agency will finance the acquisition of said loan and
this Note with funds from the sale of tax exempt municipal securities. Therefore, upon transfer of this Note to the
Agency, this Note, the indebtedness evidenced hereby, and the Property will become subject to the applicable
Internal Revenue Code Sections ("Tax Code").

Borrower further understands that the Agency and the Tax Code require that borrowers of funds originated by
the sale of said tax exempt municipal securities, and the property securing said loans, meet certain specific criteria.
Borrower acknowledges that Lender has explained the requirements of the Tax Code and the requirements of the
Agency, and that the Borrower has made certain representations regarding the Borrower's, and the Property's,
compliance therewith. (See paragraph number 21 requirements which are also applicable to Borrower). Borrower
covenants that said representations were and are true and correct. UPON DISCOVERY BY LENDER OR THE
AGENCY OF ANY MISSTATEMENT MADE BY BORROWER PURSUANT TO SAID REPRESENTATIONS,
BORROWER MAY BE SUBJECT TO THE FOLLOWING ACTIONS:

- (A) Acceleration of the indebtedness and the exercise of the power of sale as stated in paragraph 22 of the
Deed of Trust; or
- (B) Upon the sale of other disposition of this Note by the Agency, the interest on the unpaid principal balance
may be adjusted to the then current market rate permitted by law. Such interest rate adjustment will be
effective immediately upon the sale or disposition of this Note by the Agency.

Borrower shall pay to the Note holder a late charge of five percent (5%) of any monthly installment not
received by the Note holder within fifteen (15) days after the installment is due.

If any monthly installment under this Note is not paid when due and remains unpaid after a date specified by a
notice to Borrower, the entire principal amount outstanding and accrued interest thereon will at once become due
and payable at the option of the Note holder. The date specified will be not less than thirty (30) days from the date
such notice is mailed. The Note holder may exercise this option to accelerate during any default by Borrower
regardless of any prior forbearance. If suit is brought to collect this Note, the Note holder shall be entitled to collect
all reasonable costs and expenses of suit, including, but not limited to, reasonable attorney's fees.

Borrower may prepay, without penalty, the principal amount of this Note outstanding in whole or in part. Any partial prepayment will be first applied against accumulated interest and then against the principal amount outstanding. No prepayment will postpone the due date of any subsequent monthly installment or change the amount of such installment, unless the Note holder otherwise agrees in writing.

Presentment, notice of dishonor, and protest are hereby waived by all makers, sureties, guarantors and endorsers hereof. This Note is the joint and several obligation of all makers, sureties, guarantors and endorsers, and shall be binding upon them and their successors and assigns.

Any notice to Borrower provided for in this Note will be given by mailing such notice by certified mail addressed to Borrower at the Property Address stated below, or at such other address as Borrower may designate by notice to Note holder. Any notice to the Note holder will be given by mailing such notice by certified mail, return receipt requested, to the Note holder at the address stated in the first paragraph of this Note, or at such other address as may have been designated by notice to Borrower.

Incorporation by reference is made of the provisions of the Deed of Trust regarding rights as to acceleration of the indebtedness evidenced by this Note, including but not limited to the right of acceleration upon prohibited transfer of said Property, set forth and defined in Section 21 of said Deed of Trust which provides as follows:

21. *Transfer of Property; Assumptions* THE PROPERTY WILL NOT BE TRANSFERABLE WITHOUT THE WRITTEN APPROVAL OF THE AGENCY.

“Transfer” means any sale, assignment or transfer, voluntary or involuntary, or by operation of Law, of any interest in the Property, including but not limited to a fee simple interest, a joint tenancy interest, a life estate, leasehold interest, or an interest evidenced by a land contract by which possession of the Property is transferred and Borrower retains title, whether or not any such transfer is made subject to this Deed of Trust. Any such transfer without the Agency’s written approval shall be a “Prohibited Transfer”.

The Agency’s approval will not be given unless Borrower’s successor(s) in interest (“Purchaser”) meets all of the following conditions:

- (a) Purchaser occupies the residence at the Property address as Purchaser’s principal place of residence within sixty (60) days after the date of transfer and continues to so occupy the Property until the Note is paid in full or Purchaser properly transfers to a successor in interest meeting all of the requirements of the Tax Code, and the Agency;
- (b) Purchaser has not had an ownership interest in a principal residence at any time during the three years preceding the date of transfer unless at the time of transfer the Agency gives written approval that the Property is in a “Targeted Area” or this Deed of Trust indicates that Property was in a “Targeted Area” at the time of recording this Deed of Trust;
- (c) Purchaser has a household income within the income limits as established at the time of this transfer;
- (d) Purchaser has purchased the Property at a purchase price within the price limits established;
- (e) Purchaser’s indebtedness is eligible for mortgage guaranty insurance covering a loss of up to fifty percent (50%) of the outstanding principal amount of the Note, issued by an insurer licensed to do business in the State of California, and approved by the Agency;
- (f) Purchaser meets all other conditions applicable to the Agency’s financing in effect at the time of transfer including, but not limited to, the Agency’s loan underwriting standards; and
- (g) Purchaser meets the conditions of the Tax Code and regulations thereunder, both as amended from time to time.
- (h) Purchaser meets the conditions of the Agency’s citizenship and alien verification regulations as set forth in Title 25 of the California Code of Regulations, Division Z, Chapter 3 (Sections 12001, *et seq.*) which implement federal legislation known as known as Title IV of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Pub. L. No. 104-193, 8 U.S.C. Section 1601, *et seq.*).

If written approval of the Agency is not given for any transfer of the Property, the transfer will be a Prohibited Transfer and Lender may, at Lender's option, declare all the sums secured by this Deed of Trust to be immediately due and payable. Lender will exercise this option by noticing Borrower of Lender's decision pursuant to paragraph 17 above. The notice must provide a period of not less than thirty (30) days from the date the notice is mailed within which Borrower may pay the amounts due or cure the Prohibited Transfer by transferring to a Purchaser meeting the above stated conditions. If Borrower fails to cure the Prohibited Transfer or pay the amounts due within said period Lender may then invoke any remedies permitted by this Deed of Trust or California law, including, but not limited to, the exercise of the power of sale as described in this Deed of Trust.

Borrower _____

Borrower _____

Borrower _____

Borrower _____

Property Address

WHEN RECORDED RETURN TO:

(For Recorder's Use Only)

NOTE TO BORROWER:
THIS DEED OF TRUST CONTAINS
PROVISIONS RESTRICTING ASSUMPTIONS

DEED OF TRUST

Loan No. _____

THIS DEED OF TRUST, made this _____ day of _____, _____, among the Trustor, _____

_____ (“Borrower”), and _____ (“Trustee”), and the Beneficiary, _____

_____ a California corporation, whose address is indicated above (together with its successors in interest referred to herein as “Lender”).

BORROWER, in consideration of the indebtedness herein recited and the trust herein created, irrevocably grants and conveys to Trustee, in trust, with power of sale, the property located in the County of _____, State of California, described below or in Exhibit “A” attached hereto and made a part hereof by reference:

[This property is/is not (strike inappropriate reference) in a “Targeted Area” as described in the California Housing Finance Agency Program Manual at the date of recording this Deed of Trust]

TOGETHER with all the improvements now or hereafter erected on the property, and all easements, rights, appurtenances, and all fixtures now or hereafter attached to the property, all of which, including replacements and additions thereto, shall be deemed to be and remain a part of the property covered by this Deed of Trust; and all of the foregoing, together with said property are herein referred to as the “Property”;

TO SECURE to Lender the repayment of the indebtedness evidenced by Borrower's Promissory Note dated _____, _____, ("Note"), in the principal sum of _____ Dollars (\$ _____) with interest thereon, providing for monthly installments of principal and interest with the balance of the indebtedness, if not sooner paid, due and payable on _____, 20____; the payment of all other sums, with interest thereon, advanced in accordance herewith to protect the security of this Deed of Trust; and the performance of the covenants and agreements of Borrower herein contained.

BORROWER AND LENDER COVENANT AND AGREE AS FOLLOWS:

1. *Borrower's Estate.* That Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey the property, that the Property is unencumbered, and that the Borrower will warrant and defend generally the title to the Property against all claims and demands, subject to any declarations, easements or restrictions listed in a schedule of exceptions to coverage in any title insurance policy insuring Lender's interest in the Property.

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

3. *Tax Covenants.* Borrower is aware that the Note bears an interest rate below market interest rates because Lender intends to transfer the loan evidenced by the Note to the California Housing Finance Agency, a public instrumentality and political subdivision of the State of California ("Agency"). The Agency's acquisition of said loan and Note will be with funds from the sale of tax exempt municipal securities. Therefore, upon transfer of the Note to the Agency, the Note, the indebtedness evidenced thereby, the Property and this Deed of Trust shall become subject to the applicable Internal Revenue Code Sections ("Tax Code").

Borrower also understands that the Agency and the Tax Code require that borrowers of funds originated by the sale of said tax exempt municipal securities, and the property securing said loans, meet certain specific criteria. Borrower acknowledges that Lender has explained the requirements of the Tax Code and the requirements of the Agency, and that Borrower has made certain representations regarding Borrower's, and the Property's, compliance therewith. (See paragraph number 21 requirements which are also applicable to Borrower.) Borrower covenants that said representations were and are true and correct. UPON DISCOVERY BY LENDER OR THE AGENCY OF ANY MISSTATEMENT MADE BY BORROWER PURSUANT TO SAID REPRESENTATIONS, BORROWER MAY BE SUBJECT TO THE FOLLOWING ACTIONS:

(A) Acceleration of the indebtedness and the exercise of the power of sale as stated in paragraph 22 of this Deed of Trust; or

(B) Upon the sale or other disposition of the Note by the Agency, the interest on the unpaid principal balance may be adjusted to the then current market rate permitted by law. Such interest rate adjustment will be effective immediately upon the sale or disposition of the Note by the Agency.

4. *Funds for Taxes and Insurance.* Subject to applicable law, Lender shall establish an impound account ("Funds") on behalf of Borrower to pay taxes and assessments (which may attain priority over this Deed of Trust), hazard insurance premiums, and mortgage insurance premiums (hereinafter collectively referred to as "Charges"). This account will be funded by Borrower with monthly payments due to Lender on the same day the monthly installment of principal and interest is payable under the Note, until such Note is paid in full. The monthly impound amount shall be the sum equal to one-twelfth of the estimated total annual amounts anticipated to be payable for the above listed Charges. The Lender from time to time may adjust such monthly impound amounts due on the basis of actual assessments and bills, and reasonable estimates thereof.

The Funds shall be held in an institution the deposits or accounts of which are insured by the Federal Savings and Loan Insurance Corporation ("FSLIC") or the Federal Deposit Insurance Corporation ("FDIC"). Lender shall apply the Funds to pay said taxes, assessments, and insurance premiums. Lender may not charge Borrower for so holding and applying the Funds, analyzing said account or verifying and compiling said assessments and bills. Interest on Funds as required by law will be paid to Borrower.

On an annual basis (i.e. the "Account Computation Year"), Lender shall analyze the Funds to (i) determine the appropriate target balance (i.e. the estimated month end balance in the impound account that is sufficient to cover the remaining anticipated disbursements from the impound account in the Account Computation Year), (ii) compute

the Borrower's monthly payments for the next Account Computation Year which will be necessary to cover estimated charges, and (iii) determine whether shortages, deficiencies or surpluses exist.

An annual impound account statement shall be provided to the Borrower within 30 days of completion of the analysis of the Funds for the Account computation Year. If it is determined that there is a surplus greater than or equal to \$50, and so long as Borrower is not in arrears on any payment due to Lender, the surplus amount shall be refunded to Borrower within 30 days. If it is determined that there is a shortage or deficiency of Funds in an amount less than one month's impound payment, the Borrower shall pay to the Lender the amount necessary to make up the deficiency within 30 days from the date a notice is mailed by the Lender to the Borrower requesting payment thereof. If the shortage or deficiency is an amount equal to or in excess of one month's impound payment, the Borrower shall repay the deficient amount in equal monthly payments over the next 12 month period.

The Funds are pledged as additional security for the sums secured by this Deed of Trust. Upon payment in full of all sums secured by this Deed of Trust, Lender will promptly refund to Borrower any Funds held by Lender. If the Property is sold or the Property is otherwise acquired by the Lender, Lender will apply, no later than immediately prior to the sale of the Property or its acquisition by Lender, any Funds held by Lender at the time of application, as a credit against sums secured by this Deed of Trust.

5. *Application of Payments.* Unless applicable law provides otherwise, all payments received by Lender under the Note and payments of Funds will be applied by Lender first in payment of taxes, assessments and insurance premiums, then to interest payable on the Note, and then to the principal of the Note.

6. *Junior Encumbrances.* Any subsequent encumbrancer of the Property is hereby notified that upon exercise of any power of sale or foreclosure by such encumbrancer, such encumbrancer shall take title to the Property subject to this Deed of Trust, and more specifically, subject to paragraph 21 of this Deed of Trust requiring that all successors in interest to Borrower (including successors in interest through involuntary sale) meet certain eligibility requirements of the Agency.

7. *Charges; Lien.* Borrower will pay all taxes, assessments and other charges, fines and impositions attributable to the Property which may attain a priority over this Deed of Trust, in the manner provided above or, if not required to be paid in such manner, by Borrower making payment, when due, directly to the payee thereof. Borrower will promptly furnish to Lender all notices of amounts due under this paragraph, and in the event Borrower makes payment directly, Borrower will promptly furnish to Lender receipts evidencing such payments. Borrower will promptly discharge any lien which has priority over this Deed of Trust; provided, that Borrower will not be required to discharge any such lien so long as Borrower will agree in writing to the payment of the obligation secured by such lien in a manner acceptable to Lender, or will in good faith contest such lien by, or defend enforcement of such lien in, legal proceedings which operate to prevent the enforcement of the lien or forfeiture of the property or any part thereof.

8. *Hazard Insurance.* Borrower will keep the improvements now existing or hereafter erected on the Property insured in such amounts and for such periods as Lender may require, which amounts shall be the greater of (1) the outstanding principal balance of the Note, (2) the amount required by the mortgage guaranty insurance carrier, (3) the amount, in Lender's determination, necessary to prevent Borrower from becoming a co-insurer, or (4) the amount of the replacement cost of the Property.

The insurance carrier providing this insurance shall be licensed to do business in the State of California and be chosen by Borrower subject to approval by Lender; provided, that such approval will not be unreasonably withheld. All premiums on insurance policies will be paid in the manner provided in paragraph 4 above.

All insurance policies and renewals thereof will be in a form acceptable to Lender and will include a standard mortgagee clause with standard endorsement number 438 BFU in favor of and in a form acceptable to Lender. Lender will have the right to hold the policies and renewals thereof, and Borrower will promptly furnish to Lender all renewal notices and all receipts of paid premiums. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

Unless Lender and Borrower otherwise agree in writing, insurance proceeds will be applied to restoration or repair of the Property damaged, provided such restoration or repair is economically feasible and the security of this Deed of Trust is not thereby impaired. If such restoration or repair is not economically feasible or if the security of this Deed of Trust would be impaired, the insurance proceeds shall be applied to the sums secured by this Deed of Trust, with the excess, if any, paid to Borrower. If the Property is abandoned by Borrower, or if Borrower fails to respond to Lender within thirty (30) days from the date notice is mailed by Lender to Borrower that the insurance

carrier offers to settle a claim for insurance benefits, Lender is authorized to collect and apply the insurance proceeds at Lender's option either to restoration or repair of the Property or to the sums secured by this Deed of Trust.

Unless Lender and Borrower otherwise agree in writing, any such application of proceeds to principal will not extend or postpone the due date of the monthly installments referred to above or change the amount of such installments. If the Property is acquired by Lender, all right, title and interest of Borrower in and to any insurance policies and in and to the proceeds thereof resulting from damage to the Property prior to the sale or acquisition will pass to Lender to the extent of the sums secured by this Deed of Trust immediately prior to such sale or acquisition.

9. *Preservation and Maintenance of Property, Condominiums; Planned Unit Developments.* Borrower will keep the property in good repair and will not commit waste or permit impairment or deterioration of the Property. If this Deed of Trust is on a unit in a condominium or a planned unit development, Borrower will perform all of Borrower's obligations under the declaration or covenants creating or governing the condominium or planned unit development, the by-laws and regulations of the condominium or planned unit development, and constituent documents. Borrower will not, without Lender's prior written consent, agree to the abandonment or termination of the condominium or planned unit development, any change in the percentage interest of owners in the common areas and facilities of the condominium or planned unit development, or the termination of professional management and assumption of self-management of the condominium or planned unit development. If a condominium or planned unit development rider is executed by Borrower and recorded together with this Deed of Trust, the covenants and agreements of such rider are incorporated herein by this reference.

10. *Protection of Lender's Security.* If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or if any action or proceeding is commenced which materially affects Lender's interest in the Property, including, but not limited to, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedent, then Lender at Lender's option, upon notice to Borrower, may make such appearances, disburse such sums and take such action as is necessary to protect Lender's interest, including, but not limited to, disbursement of reasonable attorney's fees and entry upon the Property to make repairs.

Any amounts disbursed by Lender pursuant to this paragraph, with interest thereon, will become additional indebtedness of Borrower secured by this Deed of Trust. Unless Borrower and Lender agree to other terms of payment, such amounts will be payable upon notice from Lender to Borrower requesting payment thereof, and will bear interest from the date of disbursement at the rate payable from time to time on outstanding principal under the Note unless payment of interest at such rate would be contrary to applicable law, in which event such amounts will bear interest at the highest rate permissible under applicable law. Nothing contained in this paragraph will require Lender to insure any expense or take any action hereunder.

11. *Inspection.* Lender may make or cause to be made reasonable entries upon and inspections of the Property, provided that Lender will give Borrower reasonable notice of inspection.

12. *Condemnation.* The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of the Property, or part thereof, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender.

In the event of a total taking of the Property, the proceeds will be applied to the sums secured by this Deed of Trust, with the excess, if any, paid to Borrower. In the event of a partial taking of the Property, unless Borrower and Lender otherwise agree in writing, there will be applied to the sums secured by this Deed of Trust such proportion of the proceeds as is equal to that proportion which the amount of the sums secured by this Deed of Trust immediately prior to the date of taking bears to the fair market value of the Property immediately prior to the date of taking, with the balance of the proceeds paid to Borrower.

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 sums secured by this Deed of Trust.

Unless Lender and Borrower otherwise agree in writing, any such application of proceeds to principal will not extend or postpone the due date of the monthly installments referred to above or change the amount of such installments.

13. *Forbearance by Lender Not a Waiver.* Any forbearance by Lender in exercising any right or remedy will not be a waiver of the exercise of any such right or remedy. The procurement of insurance or the payment of taxes or other liens or charges by Lender will not be a waiver of Lender's right to accelerate the maturity of the indebtedness secured by this Deed of Trust.

14. *Remedies Cumulative.* All remedies provided in this Deed of Trust are distinct and cumulative to any other right or remedy under this Deed of Trust or affordable by law or equity, and may be exercised concurrently, independently or successively.

15. *Successors and Assigns Bound.* The covenants and agreements herein contained shall bind, and the rights hereunder shall inure to, the respective successors and assigns of Lender and Borrower subject to the provisions of this Deed of Trust.

16. *Joint and Several Liability.* All covenants and agreements of Borrower shall be joint and several.

17. *Notice.* Except for any notice required under applicable law to be given in another manner, (a) any notice to Borrower provided for in this Deed of Trust will be given by certified mail, addressed to Borrower at the Property address or such other address as Borrower may designate by notice to Lender as provided herein, and (b) any notice to Lender will be given by certified mail, return receipt requested, to Lender's address stated above or to such other addresses as Lender may designate by notice to Borrower as provided above.

18. *Governing Law.* This Deed of Trust shall be governed by the laws of the State of California.

19. *Severability.* In the event that any provision or clause of this Deed of Trust or the Note conflicts with applicable law, such conflict will not affect other provisions of this Deed of Trust or the Note which can be given effect without the conflicting provision, and to this end the provisions of the Deed of Trust and the Note are declared to be severable.

20. *Captions.* The captions and headings of this Deed of Trust are for convenience only and are not to be used to interpret or define the provisions hereof.

21. *Transfer of Property; Assumptions.* The PROPERTY WILL NOT BE TRANSFERABLE WITHOUT WRITTEN APPROVAL OF THE AGENCY.

Wherein Agency administered Funds continued to be used in financing the purchase of said property, "Transfer" means any sale, assignment or transfer, voluntary or involuntary, or by operation of Law, of any interest in this property, including but not limited to a fee simple interest, a joint tenancy interest, a life estate, leasehold interest, or an interest evidenced by a land contract by which possession of the Property is transferred and Borrower retains title, whether or not any such transfer is made subject to this Deed of Trust. Any such transfer without the Agency's written approval is a "Prohibited Transfer".

The Agency's approval will not be given unless Borrower's successor(s) in interest ("Purchaser") meets all of the following conditions:

(a) Purchaser occupies the residence at the Property address as Purchaser's principal place of residence within sixty (60) days after the date of transfer, and continues to so occupy the Property until the Note is paid in full or purchaser properly transfers to a successor in interest meeting all of the requirements of the Tax Code, and requirements of the Agency.

(b) Purchaser has not had an ownership interest in a principal residence at any time during the three years preceding the date of transfer unless at the time of transfer the Agency gives written approval that the Property is in a "Targeted Area", or this Deed of Trust indicates the Property was in a "Targeted Area" at the time of recording this Deed of Trust;

(c) Purchaser has a household income within the income limits established at the time of transfer.

(d) Purchaser has purchased the Property at a purchase price within the price limits established.

(e) Purchaser's indebtedness is eligible for mortgage guaranty insurance covering a loss of up to fifty percent (50%) of the outstanding principal amount of the Note, issued by an insurer licensed to do business in the State of California, and approved by the Agency;

(f) Purchaser meets all other conditions applicable to the Agency's financing in effect at the time of transfer including, but not limited to, the Agency's loan underwriting standards; and

(g) Purchaser meets the conditions of the Tax Code and regulations thereunder, both as amended from time to time

If written approval of the Agency is not given for any transfer of the Property, the transfer will be a "Prohibited Transfer" and Lender may, at Lender's option, declare all the sums secured by this Deed of Trust to be immediately due and payable. Lender will exercise this option by noticing Borrower of Lender's decision pursuant to paragraph 17 above. The notice must provide a period of not less than thirty (30) days from the date the notice is mailed within which Borrower may pay the amounts due or cure the Prohibited Transfer by transferring to a Purchaser meeting the above stated conditions. If Borrower fails to cure the Prohibited Transfer or pay the amounts due within said period Lender may then invoke any remedies permitted by this Deed of Trust or California law, including, but not limited to, the exercise of the power of sale as described in this Deed of Trust.

22. *Acceleration; Remedies.* Except as provided in paragraph 21 hereof, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, including but not limited to the covenants to pay when due any sums secured by this Deed of Trust, and the covenants as to the truth of representations made by Borrower found in paragraph 3 above, Lender, prior to acceleration, will mail notice to Borrower specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, no less than thirty (30) days from the date the notice is mailed to Borrower, by which such breach is to be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of this Property. The notice will also inform Borrower of Borrower's right to reinstate after acceleration and the right to bring a court action to assert the nonexistence of default or any other defense of Borrower to acceleration and sale. If the breach is not cured on or before the date specified in the notice, Lender at Lender's option may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by California law. Lender will be entitled to collect all reasonable costs and expenses incurred in pursuing the remedies provided in this paragraph, including, but not limited to, reasonable attorney's fees. If Lender invokes the power of sale, Lender will do so pursuant to the provisions for notice of sale and sale found at California Civil Code Sections 2924, *et. seq.*, as amended from time to time.

IF LENDER EXERCISES THE POWER OF SALE, LENDER COVENANTS THAT ANY PURCHASER THEREUNDER SHALL MEET THE CONDITIONS LISTED IN PARAGRAPH 21 FOR BORROWER'S SUCCESSORS IN INTEREST.

23. *Borrower's Right to Reinstate.* Notwithstanding Lender's acceleration of the sums secured by this Deed of Trust, Borrower will have the right to have any proceedings begun by Lender to enforce this Deed of Trust discontinued at any time prior to five (5) days before sale of the Property pursuant to the power of sale contained in this Deed of Trust or at any time prior to entry of the judgment enforcing this Deed of Trust if: (a) Borrower pays Lender all sums which would be then due under this Deed of Trust, and the Note, had no acceleration occurred; (b) Borrower cures all breaches of any other covenants or agreements of Borrower contained in contained in this Deed of Trust; (c) Borrower pays all reasonable expenses incurred by Lender and Trustee in enforcing the covenants and agreements of Borrower contained in this Deed of Trust, and in enforcing Lender's and Trustee's remedies including, but not limited to, reasonable attorney's fees; and (d) Borrower takes such action as Lender may reasonably require to assure that the lien of this Deed of Trust, Lender's interest in the property and Borrower's obligation to pay the sums secured by this Deed of Trust shall continue unimpaired. Upon such payment and cure by Borrower, this Deed of Trust and the obligations secured hereby will remain in full force and effect as if no acceleration had occurred.

24. *Reconveyance.* Upon payment of all sums secured by this Deed of Trust, Lender will request Trustee to reconvey the Property and will surrender this Deed of Trust and the Note evidencing the indebtedness secured by this Deed of Trust to Trustee. Trustee shall reconvey the property without warranty and without charge to the person or persons legally entitled thereto. Such person or persons will pay all costs of recordation, if any.

25. *Substitute Trustee.* Lender, at Lender's option, may from time to time remove Trustee and appoint a successor trustee to any Trustee appointed hereunder. Without conveyance of the Property, the successor trustee will succeed to all the title, power and duties conferred upon the Trustee herein and by applicable law.

26. *Request for Notices.* Borrower requests that copies of the notice of default and notice of sale be sent to Borrower's address which is the Property address.

IN WITNESS WHEREOF, BORROWER HAS EXECUTED THIS DEED OF TRUST.

_____	_____
Borrower	Borrower
_____	_____
Borrower	Borrower
_____	_____
Borrower	Borrower

STATE OF CALIFORNIA
COUNTY OF _____

On _____ before me, _____, notary public,
DATE NAME, TITLE OF OFFICER
personally appeared _____
NAME OF SIGNOR(S)

personally known to me - OR - proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature of Notary

Property Address

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

\$ _____, 20_____

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 of three percent (3%) per annum on the unpaid principal
balance from the date of this 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.

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

3. *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;
- (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.

4. *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.

5. *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 3 of this Promissory Note.

6. *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.

7. *Application of Payments.* All payments received on account of this Note shall be first applied to accrued interest and the remainder shall be applied to the reduction of principal.

8. *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.

9. *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.

10. *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.

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

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

13. *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.

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

15. *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.

16. *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**

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

**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")**

HiCAP SECOND LOAN NO. _____
EXTRA CREDIT TEACHER 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, Second Loan No. _____ ” and indebtedness evidenced by that certain promissory note of Borrower dated _____ and entitled “Extra Credit Teacher Program, Promissory Note, California Housing Finance Agency Home Purchase Assistance Program (“HPA”), Second Loan No. _____ ” (collectively referred to as “the Note”) of the Borrower in the face amounts of _____ (\$ _____) and _____ (\$ _____), respectively 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