

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. _____
Min No. _____

DEFINITIONS

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

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

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

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

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

Which property address is _____ 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 unto Trustee, and for purposes of this Deed of Trust declared to be part of the realty; provided, however, that furniture and other personal property of Borrower now or hereafter situated on said real property are not intended to be included as part of the Property. Borrower understands and agrees that MERS holds only legal title to the interests granted by Borrower in this Deed of Trust, but, if necessary to comply with law or custom, MERS (as nominee for Lender and Lender's successors and assigns) has the right to exercise any and all of those interests, including, but not limited to, the right to foreclose and sell the property, and to take any action required of Lender including, but not limited to, releasing and canceling this Deed of Trust.

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 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 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 impound Account in the 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 operated 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 mortgage clause with standard mortgagee loss payee endorsement e.g. number 438BFU 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 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 incur any expense or take 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 the 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 the 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. Neither the acceptance of a payment after knowledge of a Borrower default, nor the procurement of insurance or the payment of taxes or other liens or charges by Lender will 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 afforded 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 address 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 in 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 issuer 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, not 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 the 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 judgement 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 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 Notice.* 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, _____ ,
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared _____ ,
Name(s) of Signers(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 the 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.

Place Notary Seal Above

Signature of Notary Public