

## CALIFORNIA HOUSING FINANCE AGENCY

### MORTGAGE PURCHASE AND SERVICING AGREEMENT

This Mortgage Purchase and Servicing Agreement ("Agreement") is entered into on \_\_\_\_\_, 20\_\_\_\_, by and between the California Housing Finance Agency, a public instrumentality and political subdivision of the State of California ("CalHFA"), and \_\_\_\_\_ ("Lender").

#### RECITALS

A. Lender is approved by CalHFA to originate and/or sell for CalHFA purchase and to service eligible loans made pursuant to CalHFA's single family home loan programs.

B. Lender has previously, is presently and/or intends, in the future, to originate and/or sell and service such loans.

C. The purpose of this Agreement is to set forth the understandings of the parties with respect to those past, present and future loan originations, purchases and servicing.

D. This Agreement is intended to replace and supersede any previous Mortgage Purchase & Servicing Agreements and/or Mortgage Purchase Agreements executed between the parties. It is intended to apply to all loans (i) originated by Lender for purchase by CalHFA, (ii) originated by a correspondent lender and transferred to Lender for purchase by CalHFA, and (iii) for which the servicing obligation is or was assumed by Lender on behalf of CalHFA, unless otherwise specified by the parties by subsequent written agreement.

NOW, THEREFORE, the parties hereto agree as follows:

#### ARTICLE I - DEFINITIONS

In addition to other terms which are defined in this Agreement, the following terms, as used herein, shall have the following meanings:

1. "Bonds" means any bonds issued by CalHFA to finance the purchase of any of the Loans.
2. "Borrower" means the person(s) who borrowed money pursuant to a Loan to finance the Home.
3. "CaHLIF" means the California Housing Loan Insurance Fund, or any successor thereto.
4. "Commitment" means any Forward Commitment Agreement, or other written single family loan commitment, made by CalHFA to Lender (and, in some cases, also to a third party developer or seller) whether past, present or future (unless otherwise specified by the parties by a subsequent written agreement). In the case of CalHFA's Single Loan Reservation Process or similar

spot loan process, the "Commitment" shall refer to CalHFA's written conditional approval of a Loan.

5. "Commitment Documents" means the documents described in Article II, Section 3, below.
6. "Deed of Trust" means the deed of trust which encumbers the Home and secures the Note and Loan.
7. "FHA" means the Federal Housing Administration of the United States Department of Housing and Urban Development or any successor thereto.
8. "FNMA" means the Federal National Mortgage Association or any successor thereto.
9. "Forward Commitment Agreement" means any written single family loan commitment bearing that title which is executed between CalHFA, Lender and a third party developer in connection with CalHFA's Forward Commitment Program.
10. "Home" means the residence and real property which is financed by a Loan and encumbered by the Deed of Trust.
11. "Loan" means any loan which is purchased by CalHFA (i) from Lender under the terms of a Commitment, or (ii) from another lender and transferred to Lender for servicing with CalHFA approval.
12. "Loan Documents" means the Note, Deed of Trust and other documents evidencing and/or securing a Loan.
13. "Loan Origination" means the point in time when Lender (or a correspondent lender, if applicable) makes the Loan to the Borrower.
14. "Loan Purchase" means point in time when CalHFA purchases the Loan from Lender.
15. "Loan Servicer" means any lender, including CalHFA, which is approved by CalHFA to service loans made pursuant to CalHFA's single family home loan programs.
16. "Mortgage Insurer" means any Private Mortgage Insurer, CaHLIF, FHA, VA, or other insurer or guarantor approved by CalHFA to provide mortgage insurance on or guarantee a Loan under the terms of the applicable Commitment.
17. "Note" means the promissory note, signed by Borrower, which evidences a Loan and is secured by the Deed of Trust.
18. "Private Mortgage Insurer" means any private insurance company approved by CalHFA to provide mortgage insurance on a Loan under the terms of the applicable Commitment.
19. "Program Bulletin" means a written announcement communicated to Lenders by CalHFA describing the features (loan interest rates, delivery periods, eligibility requirements, etc.) of a pool

of funds from which commitments will be made.

20. "Program Manual" means the Single Family Program Manual published by CalHFA, which, among other things, describes the program, including Borrower, Home and Loan eligibility requirements and Loan origination and purchase procedures, as such Program Manual may be amended from time-to-time. It may also refer to any other program manual promulgated by CalHFA and identified as the program manual which applies to a Loan under the terms of the applicable Commitment, as such program manual may be amended from time-to-time.

21. "Repurchase" means the purchase of a Loan from CalHFA by a Lender who either originally sold the Loan to CalHFA or subsequently assumed the obligation to service it. Unless otherwise specified herein, or agreed to by the parties in writing, the Repurchase price shall be equal to the outstanding Loan balance, including principal, interest and other amounts, as of the date of the Repurchase.

22. "Sales Price" means the total contract sales price paid for a Home by a Borrower, as calculated in accordance with the terms of the applicable Commitment.

23. "Servicer's Guide" means the Servicer's Guide published by CalHFA setting forth the servicing procedures and requirements pertaining to the Loans, as amended from time-to-time.

24. "Tax Code" means sections of the Internal Revenue Code and related regulations which are applicable to the Bonds.

25. "VA" means the United States Veteran's Administration or any successor thereto.

## **ARTICLE II - LOAN ORIGINATION & PURCHASE**

1. CalHFA Purchase. CalHFA shall purchase Loans originated by Lender in accordance with this Agreement (or originated by a correspondent lender and transferred to Lender if Lender is authorized by CalHFA to do correspondent lender business).

2. Lender Origination. Lender (and its correspondent lenders, if applicable) shall originate Loans in compliance with the applicable Commitment and other provisions of this Agreement.

3. Applicable Laws and Agreements. All Commitments shall be subject to the applicable provisions of Parts 1 through 4 of Division 31 (commencing with Section 50000) of the California Health and Safety Code, the Tax Code, Forward Commitment Agreements, Program Manuals, this Agreement, program bulletins, program summaries, development information forms, conditional loan approvals and other agreements and documents pertaining to the Commitment all as amended from time to time. These documents shall be collectively referred to herein as the "Commitment Documents". The Commitment Documents shall be incorporated into the Commitments and this Agreement by this reference.

4. Lender Qualifications. At all times during the term of this Agreement Lender shall be an approved FHA single family servicer and direct endorsement lender and shall be an approved FNMA seller, servicer and lender. At no time during the term of this Agreement shall Lender

service a dollar volume of Loans in excess of fifteen percent (15%) of CalHFA's total outstanding dollar volume of loans (made under its single family home loan programs) unless Lender has written authorization from CalHFA to work with correspondent lenders in the origination of Loans, in which case said Lender's dollar volume of Loans shall not exceed twenty percent (20%) of CalHFA's total outstanding dollar volume of loans. To the extent that Lender's Loan servicing portfolio exceeds the applicable limit; CalHFA may require Lender to release the servicing of new Loans to another Loan Servicer. Lender has provided an Opinion of Counsel and represents and warrants that the factual statements contained in such opinion letter are true and correct with respect to Lender and this Agreement. CalHFA, in its sole discretion, has the right to require Lender to provide an updated opinion letter from time to time.

5. Loan Documents. In addition to the specific requirements of the applicable Commitment, each Loan shall satisfy the following general requirements:

(a) As of Loan Origination, the Borrower shall have had the legal capacity to execute the Loan Documents and, as of Loan Purchase, the Loan Documents shall be valid and binding legal obligations of the Borrower, enforceable in accordance with their terms.

(b) As of Loan Purchase, no counterclaim, offset, defense or right of rescission shall exist which could be asserted or maintained by the Borrower or his or her successor in interest against CalHFA or any subsequent Loan holder, and the Loan shall comply with all applicable local, state and federal laws, rules and regulations including, without limitation, all truth-in-lending and nondiscrimination laws.

(c) The form of the Note, Deed of Trust and other Loan Documents shall have been approved by CalHFA, and provide that the Loan is transferable only under the limited circumstances and subject to the conditions specified in the applicable Commitment.

(d) As of Loan Purchase, the Loan shall be insured by a valid and existing ALTA lender's title insurance policy naming CalHFA as an insured first mortgagee either directly or through a CLTA 104.1 endorsement and with the CLTA endorsements specified in the Commitment, with a policy limit of at least the outstanding Loan balance, insuring that the Loan constitutes a first lien on the Home subject only to liens for current taxes and assessments and liens, encumbrances, reservations, easements and other imperfections of title which in the opinion of Lender and CalHFA do not adversely affect any security interest of CalHFA or the marketability of CalHFA's title, and that no rights are outstanding which could give rise to mechanic's or materialmen's liens for work performed or materials supplied prior to Loan Origination which are not fully insured by the title insurance policy. Notwithstanding the foregoing, in the event that CalHFA gives express written approval for a Loan to be a junior lien, such title policy shall insure the Loan as having the priority specified in such CalHFA written approval.

(e) As of Loan Purchase, no payment required by the Loan Documents shall be delinquent nor shall Lender have advanced funds, or directly or indirectly induced or solicited any advance of funds by another, other than the Borrower, for the payment of any such amount. As of Loan Purchase, no event of default under the Loan Documents shall have occurred or shall be continuing, and no event shall have occurred which would, by the passage of time or the giving of notice thereof, constitute an event of default.

(f) As of Loan Purchase, the unpaid Loan balance shall be due and owing and there shall be no impairment of or right of set off against Borrower's obligation to make payments when due on the Loan.

(g) As of Loan Purchase, there shall not have been any release, cancellation, subordination, satisfaction or impairment, in whole or in part, of the Loan, (except for previously remitted payments of principal and interest) without the prior written approval of CalHFA.

(h) As of Loan Purchase, the Loan, terms, covenants and conditions shall not have been waived, altered, impaired or modified in any way which would adversely affect its value, validity or enforceability.

(i) As of Loan Purchase, the Loan shall not be subject to any existing assignment or pledge and the Lender shall have good title immediately prior thereto and full right and authority to assign and transfer the same and to endorse and deliver the Loan Documents to CalHFA, free and clear of encumbrances except those approved in accordance with Article II, Section 5(d) above and those otherwise approved in writing by CalHFA.

(j) As of Loan Purchase and at all times thereafter, the Loan shall be subject to either (i) a valid and existing policy of mortgage insurance issued by a Mortgage Insurer, or (ii) a commitment for mortgage insurance by FHA. Lender understands and agrees that the Mortgage Insurers may, during the Commitment term, have the right to raise their premiums, materially alter their underwriting criteria and/or suspend the writing of new insurance. Lender understands and agrees that if any Mortgage Insurer takes any such action, CalHFA shall not be obligated to cancel any Commitment, refund fees or otherwise be liable for any resulting losses to Lender.

6. Home. In addition to the specific requirements of the applicable Commitment, each Home shall satisfy the following general requirements:

(a) As of Loan purchase, the Home shall not be damaged by water, fire, earthquake, wind, storm, flood, tornado, or other cause so as to adversely affect it as security for the Loan or for the intended use and there shall be no pending or threatened proceeding for the total or partial condemnation of said Home or for the abatement of nuisances thereon.

(b) As of Loan Purchase, the Home and the intended use, shall comply with all applicable laws, including those relating to the protection of the environment; there shall be no threatened or pending case or proceeding directly involving said Home in which compliance with any such law is or will be at issue; and nothing further shall remain to be done to satisfy in full all requirements of each such law constituting a prerequisite to such use and enjoyment of the Home.

(c) As of Loan Purchase and at all times thereafter, the Home shall be insured by a valid and existing policy of standard hazard insurance in an amount equal to the replacement cost of the improvements as may be increased from time to time by reference to an inflation index used by the insurer. The policy shall insure CalHFA or Lender and CalHFA, as their interests may appear, and shall have an endorsement for earthquake damage coverage as and if required by the applicable Commitment. The policy shall be issued by a company meeting the insurance requirements of FNMA and FHA and otherwise comply with the terms of the Commitment.

(d) As of Loan Purchase, the Home improvements shall be fully completed, lie wholly within the boundaries and building set-back restrictions of said property and shall not violate zoning laws, housing codes, or similar local requirements.

7. Tax-Exempt Bond Financed Loans. In addition to the specific requirements of the applicable Commitment, all Loans financed from the proceeds of Bonds shall satisfy the following general requirements:

(a) As of Loan Purchase and at all times thereafter, the Loan, Borrower, Home and transaction shall meet all the requirements of the Bonds and related documents, including, if applicable, all requirements necessary to ensure that interest payable to the bondholders are exempt from federal and State of California income taxes.

(b) Prior to Loan Origination, the Borrower shall have been informed that information submitted in his or her application for a Loan may be information that is required by the Tax Code to be disclosed and reported to the Internal Revenue Service and, if so, shall have consented to such disclosure or report.

8. CalHFA Fees. As of Loan Purchase, or sooner if required, all fees and other charges required by CalHFA with respect to the Loan under the applicable Commitment shall have been paid to CalHFA. In the event that CalHFA permits Lender to provide a letter of credit in lieu of paying fees up front and/or in cash (i) the obligation to pay such fees shall only be discharged to the extent that such letter of credit is honored by the issuing bank or the fees otherwise paid, and (ii) Lender hereby waives any right it may have, or hereafter acquire, to join the draw by CalHFA or honor by the issuing bank of such letter of credit.

9. Lender Fees & Closing Costs. The closing costs, fees or charges, of any kind or nature, which Lender shall collect from any party with respect to the making of any Loan shall not exceed those allowable under the applicable Commitment. No fees, charges or other remuneration (including charges commonly known as "points") other than those stated above shall be directly or indirectly received by Lender in making any such Loan. Lender shall pay for the preparation and furnishing to CalHFA of all instruments herein specified, and pay any expenses incurred in connection with the origination transactions covered by this Agreement, including, but not limited to, the cost of preparing and recording all the documents and related legal fees.

10. Representations and Warranties. Lender represents and warrants that, as of Loan Purchase, all of the requirements of this Agreement and applicable Commitment shall have been or shall be, as applicable, satisfied with respect to each Loan. Any failure of a Loan to comply with such requirements shall constitute a breach of this Agreement.

### **ARTICLE III - LOAN SERVICING**

1. Servicing Duties. Lender shall service the Loans in accordance with the most restrictive requirements of the following: (i) this Agreement, (ii) the Servicer's Guide and/or Program Bulletins, to the extent not inconsistent with this Agreement, (iii) the requirements of the applicable Mortgage Insurer, and (iv) the customary practices of prudent lending institutions. Lender shall not take, or permit any action to be taken, with respect to a Loan which would cause such Loan to fail to

satisfy the requirements of Article II, Section 5, 6 and 7 on a continuous basis following Loan Purchase. Until each Loan is repaid or otherwise satisfied, Lender shall maintain a complete Loan file which includes all of the Loan documents and other information which evidences the eligibility of the Borrower, Home and Loan.

2. Deposits. All funds held by Lender under this Agreement (except funds held as impound escrow accounts for the benefit of Borrowers ("Impound Accounts")) shall be held in accounts in trust for CalHFA. Such accounts shall be referred to herein as "Trust Accounts". The records for each Trust Account shall reflect that it is held in trust for CalHFA and for the series of Bonds, if applicable, to which such funds relate. Trust Accounts shall be deposited in banks, trust companies, savings and loan associations, or national banking associations ranked 125 or higher by IDC and other than Lender's own bank, subsidiary, parent, holding company or other related entity, and shall be insured to the maximum allowable amount by the Federal Deposit Insurance Corporation ("FDIC"). Should the amount of the funds held in a Trust Account exceed the limits of the FDIC insurance, the amount of the funds over the insured amount shall be transferred by Lender within two (2) working days to another Trust Account insured by FDIC in a different bank, trust company, savings and loan association or national banking association (unrelated to Lender). The Trust Accounts shall be subject to withdrawals or audit by CalHFA at any time. Impound Accounts shall be maintained in the amounts specified in, and conform to, the requirements of the Servicer's Guide, and/or FHA, or VA, as applicable.

3. Servicing Authority. Lender, for the benefit of and on behalf of CalHFA, may endorse insurance checks for any amount up to Seven Thousand Five Hundred and No/100 Dollars (\$7,500.00) without the prior approval of CalHFA, may submit insurance claims to the applicable Mortgage Insurer and may execute notices of default and other applicable documents incident to foreclosure, all in accordance with the Servicer's Guide.

4. Agent Relationship. Except as specifically set forth herein or in the Servicer's Guide or other written agreement executed by CalHFA, Lender shall not be an agent of CalHFA and shall have no authority and no power to waive or vary the terms of any Loan or in any other respect create, extinguish or modify any right, obligation or liability of CalHFA to any person whatsoever, except as such rights, obligation or liabilities of CalHFA may be affected incidentally by the discharge by Lender of its contractual obligations to CalHFA. Notwithstanding the foregoing, CalHFA hereby confers on Lender a license to service the Loans unless and until such rights are terminated as herein provided, in which event said license shall be deemed revoked.

5. Waiver of Loan Provisions. Lender shall not waive or allow any Borrower to avoid or postpone compliance with any terms, conditions or provisions of any Loan, except for forbearance during default if done in accordance with forbearance procedures set forth in FHA directives, VA directives, CalHFA directives or in the Servicer's Guide, as applicable.

6. FHA-Insured Loans. Lender shall remit to CalHFA, on or before the 5th day of each month, the amount of all Loan payments due on FHA-insured Loans for the preceding month or months. In the event Lender shall not have received a Borrower's Loan payment for any FHA-insured Loan as of such date, Lender shall advance such Loan payment to CalHFA, less its servicing fee, from its own funds. Any failure by Lender to make such Loan payments to CalHFA shall constitute a breach of this Agreement. At any time a payment on any FHA-insured Loan is

due and unpaid, Lender may, at its option, Repurchase such Loan. Acting as CalHFA's agent and on CalHFA's behalf, Lender shall purchase any FHA-insured Loan sold at trustee's sale if required by FHA's servicing directives. Lender shall, unless otherwise advised by CalHFA, Repurchase any FHA-insured loan within ninety (90) days of acquisition of the Home by CalHFA whether or not through foreclosure, deed in lieu of foreclosure, or otherwise.

7. VA-Insured Loans. Servicer shall remit to CalHFA, on or before the 5th day of each month, the amount of all Loan payments due on VA-insured Loans for the preceding month or months. In the event Servicer shall not have received a Borrower's Loan payment for any VA-insured Loan as of such date, Servicer shall advance such Loan payment to CalHFA, less its servicing fee, from its own funds. Any failure by Servicer to make such Loan payments to CalHFA shall constitute a breach of this Agreement. At any time a payment on any VA-insured Loan is due and unpaid, Servicer may, at its option, Repurchase such Loan. Acting as CalHFA's agent and on CalHFA's behalf, Servicer shall purchase any VA-insured Loan sold at trustee's sale if required by VA's servicing directives. Servicer shall, unless otherwise advised by CalHFA, Repurchase any VA-insured Loan within ninety (90) days of acquisition of the Home by CalHFA whether or not through foreclosure, deed in lieu of foreclosure or otherwise.

8. Monthly Fees. As compensation for its servicing duties hereunder, Lender shall retain, from each complete monthly Loan payment collected, a servicing fee as provided in the applicable Commitment Documents, based on the unpaid principal balance of the Loan as of immediately prior to such monthly payment.

9. Late Charges. Lender shall be entitled to retain all late charges payable and collected under the terms of the Loan Documents.

10. Payment of Expenses. Except for FHA-Insured Loans, Lender shall be reimbursed by CalHFA for its out-of-pocket expenses reasonably incurred as provided in the Servicer's Guide in protecting any Home from deterioration or waste during Loan default and for other related costs, including attorney's fees approved as reasonable by CalHFA.

11. Termination of Compensation. Lender's right to compensation for servicing a Loan shall cease upon the occurrence of any of the following:

- (a) Payment or prepayment of the Loan in full;
- (b) Payment default by Borrower except as to full Loan payments, if any, thereafter received from Borrower and remitted to CalHFA;
- (c) Acquisition of the Home by CalHFA whether or not through foreclosure, deed in lieu of foreclosure or otherwise;
- (d) Termination of Lender's servicing duties pursuant to this Agreement; or
- (e) Termination of this Agreement.

12. Bond Requirements. Lender shall at all times do and perform all acts permitted by law and necessary or proper to ensure that interest on the Bonds shall be exempt from federal and State

of California income taxes (unless such Bonds were issued as taxable bonds). This includes the mandatory Repurchase of Loans in the event that an act or omission, error or fraudulence occurs. If directed by CalHFA, Lender shall bill the payments on each Loan at a reduced interest rate, if CalHFA determines such reductions to be necessary or proper in order to preserve any federal or State tax exemption on the Bonds or other obligations which CalHFA has issued or expects to issue in order to purchase any Loans. CalHFA may subsequently require the reinstatement of the original interest rate at any time, in its sole discretion. CalHFA shall bear all reasonable and necessary costs incurred to accomplish any such reduction of interest rate or reinstatement of the original interest rate that it may so direct. CalHFA further agrees that any directed reduction in interest rate of any Loan shall be accomplished in a manner which will preserve the right of Lender to reinstate the original rate for the remainder of the term of any such Loan in the event of any Repurchase of such Loan by Lender. No reduction in interest rate directed by CalHFA shall reduce Lender's compensation under this Agreement.

#### **ARTICLE IV - ASSIGNMENTS AND/OR TRANSFERS**

1. CalHFA may transfer, assign or otherwise dispose of any Loan without the consent of Lender, but in such event, written notice thereof shall be delivered or mailed to Lender giving the name and address of the assignee. Upon notification of the transfer or the assignment of any Loan, Lender shall remit to CalHFA all funds collected on said Loan and its compensation for such servicing shall terminate.

2. Lender shall not delegate, assign, or transfer its servicing duties to another without prior written approval from CalHFA. If Lender desires to sell its CalHFA Loan servicing portfolio, it must first notify CalHFA to obtain a current listing of Loan Servicers and thereafter offer its CalHFA portfolio to a Loan Servicer. If no other Loan Servicer bids on the portfolio, and Lender still desires to transfer its portfolio, Lender shall transfer said portfolio to CalHFA. CalHFA shall compensate Lender for said portfolio at a price to be negotiated between CalHFA and Lender.

#### **ARTICLE V - TERMINATION**

1. Termination for Breach or Harmful Acts.

(a) CalHFA, in its sole discretion, may terminate servicing by Lender under this Agreement by giving such party thirty (30) days notice of termination of the servicing under such Agreement, upon: (i) Lender's breach of any covenant, agreement or servicing obligation in this Agreement; or (ii) a determination by CalHFA that Lender has committed acts in the origination, servicing and/or sale of one or more of the Loans under this Agreement that have caused harm to CalHFA or has sold one or more Loans with knowledge that any of the warranties made by the Lender with respect to such Loan(s) is, in fact, untrue.

(b) A Lender to whom a notice of termination is given by CalHFA under Subsection 1(a) above shall have thirty (30) days after such notice is given to correct any breach on which the notice of termination is based. If within such period of thirty (30) days, the breach has been remedied to the satisfaction of CalHFA, and such breach did not involve conduct described in Subsections 1(d)(1) through 1(d)(6), below, such notice of termination may be deemed void, at CalHFA's sole discretion, in which case, the servicing under this Agreement shall continue in effect.

If each breach has not been so remedied, the termination shall take effect in accordance with the original notice by CalHFA. Lender shall not be entitled to any termination fee or proceeds from any sale of servicing if CalHFA terminates the Lender's servicing under this Agreement pursuant to this Section 1.

(c) Notwithstanding anything in this Article V to the contrary, if any event occurs which constitutes a breach on the part of Lender of this Agreement or of servicing obligations under the Servicer's Guide that may result in immediate or irreparable harm as determined by CalHFA, then CalHFA, at its option, may terminate servicing by Lender without any waiting period by giving Lender notice of termination. Under such circumstances, CalHFA may, with Lender's full agreement and whose consent is hereby given, take possession of and remove from Lender's possession the Loan files and related data Lender is servicing at such time.

(d) Any of the following events shall constitute a breach of this Agreement and of the servicing obligations pursuant to this Agreement:

(1) Lender's failure to comply with any provision of this Agreement including, but not limited to, the following:

(i) Lender's failure to establish and maintain satisfactory accounts for the deposit of CalHFA's and Borrower's funds, as specified by provisions of this Agreement;

(ii) Lender's use of CalHFA's or the Borrower's funds in any manner other than as permitted by this Agreement including, but not limited to, the failure of Lender to deposit all funds collected pursuant to the Loans in the proper custodial account not later than the first business day following their receipt, except as otherwise permitted by this Agreement, or the failure of Lender to remit to CalHFA, or make available for draft, all funds due CalHFA within the time periods specified in this Agreement including, but not limited to, funds with respect to Lender's obligation to assume the risk of loss from Borrower defaults for Loans serviced hereunder;

(iii) Lender's failure to maintain adequate and accurate accounting records and mortgage servicing records relating to the Loans; in accordance with the requirements of this Agreement;

(2) Lender's failure to take diligent action consistent with applicable law to collect sums past due on the Loans or to take any other diligent action that CalHFA or acceptable industry practice reasonably requires with respect to Loans that are in default;

(3) Lender's failure to take diligent action consistent with applicable law to foreclose any Loan that is in default, whether or not resulting from the acts or omissions of an attorney, trustee, or other person or entity chosen by Lender to effect such foreclosure;

(4) Lender's failure to comply with any material law, regulation, or judicial precedent relevant to the servicing of the Loans;

(5) The insolvency of Lender, the adjudication of Lender as a bankrupt, the appointment of a receiver for Lender, any action by the Resolution Trust Corporation that adversely

affects Lender, the execution by Lender of a general assignment for the benefit of Lender's creditors, and if any such event should occur, no interest in this Agreement shall be deemed an asset or liability of Lender's successor or assigns, nor shall any interest in such Agreement pass by operation of law without the consent of CalHFA;

(6) A sale of the majority interest in Lender or a change in the corporate status of a corporate Lender without the prior written consent of CalHFA;

(7) The finding by a court of competent jurisdiction that Lender, or any principal officer of Lender, has committed an action that constitutes civil fraud or the conviction of Lender or any such officer of any criminal act that is related to Lender's lending or mortgage servicing activities; provided, however, that in CalHFA's opinion, such act adversely affects Lender's reputation or the reputation or interests of CalHFA.

(e) Prior to giving notice of termination under this Section, CalHFA shall have the right, at CalHFA's option, to take any reasonable action authorized by this Agreement because of Lender's act, omission, or failure to render adequate performance in breach of this Agreement. CalHFA shall not be required to take any action as a condition of termination of the servicing under this Agreement.

(f) Any forbearance by CalHFA in exercising CalHFA's right to terminate the servicing under this Agreement shall not be a waiver of or preclude the exercise of any right hereunder

2. Termination Due to Inadequacy of Financial Condition.

(a) CalHFA may, in its sole discretion, determine to terminate Lender's servicing of CalHFA loans immediately if there is an adverse change in the financial condition of Lender which CalHFA deems to present an unjustifiable risk to the servicing of its Loans, the security of its bondholders, and the ability of Lender to carry out its obligations under this Agreement. Upon such termination, custody and possession of CalHFA's Loan files and related materials shall be immediately delivered to CalHFA. The financial condition and/or events which could result in termination under this Section 2 include but are not limited to:

(1) The deterioration of Lender's financial condition to the point that CalHFA deems Lender's ability to meet its obligations under this Agreement to be an unacceptable risk to CalHFA's Loan portfolio and its bondholders.

(2) CalHFA has reason to believe that Lender's bankruptcy is imminent;

(3) CalHFA has reason to believe that takeover of Borrower by a federal or state agency is imminent;

(4) CalHFA determines that Lender must be replaced in order to protect the interests of the bondholders; and

(5) The sale of a majority interest in Lender or a change in Lender's corporate

status without prior written consent by CalHFA.

(b) Promptly after delivery of the Loan files and related materials, CalHFA shall compensate Lender at a price to be negotiated between CalHFA and Lender where CalHFA has terminated Lender's servicing pursuant to this Section 2.

3. Termination in the Absence of Breach or Harmful Acts.

CalHFA, in its sole discretion and for any reason, may terminate servicing by Lender under this Agreement by giving Lender notice of termination of the servicing under this Agreement; provided, however, that in the event Lender shall not have breached any covenant, agreement or servicing obligations of this Agreement and, as determined by CalHFA, has not committed any of the acts or breaches of warranty specified in this Agreement, the following terms and conditions shall be given effect:

(a) Lender, upon such notice of termination by CalHFA, must offer to sell the servicing to a Loan Servicer, and arrange to promptly transfer the Loans in accordance with procedures and documentary requirements that are specified by CalHFA for transfers of servicing. Lender's privilege of sale and transfer hereunder shall automatically terminate if not exercised within one hundred fifty (150) days (ninety days to negotiate the sale and sixty (60) days to effectuate the transfer of the CalHFA servicing portfolio files, records, and accounts) following the date on which notice by CalHFA shall have been given as provided above. If such a sale and transfer by Lender is properly consummated within such one hundred fifty- (150-) day period, Lender may retain the proceeds of the sale, subject to any remaining claims of CalHFA for moneys due pursuant to this Agreement, including payment by Lender of the CalHFA servicing transfer fee. Lender shall indemnify CalHFA and hold it harmless against any costs or expenses in connection with such a sale and transfer.

(b) If Lender shall not have sold and transferred the servicing under the foregoing paragraph within the time permitted therein, CalHFA shall require Lender to transfer the servicing to the highest bidding Loan Servicer within thirty (30) days following the end of the aforementioned one hundred fifty- (150-) day period. Lender shall continue servicing the Loans pursuant to the standards and requirements under this Agreement, until CalHFA has given the Lender notice that the transfer has been effected. Upon the notice of transfer, the servicing under this Agreement shall immediately terminate as between CalHFA and the Lender, effective as of the date specified by CalHFA, and servicing of the Loans will be assumed by the successor servicer. Upon the sale of servicing, pursuant to this Section 3 of this Agreement, Lender shall pay CalHFA its servicing transfer fee. Except as expressly provided in this Agreement, no payments or compensation shall be made by CalHFA to any Lender for termination of the servicing under this Agreement or any transfer of servicing or other interests and rights there under.

4. Timing of Termination.

(a) In order to assure the proper continued servicing of Loans, any termination of servicing under this Agreement pursuant to this Section shall be effective only on the date specified by CalHFA. Once the transfer of servicing under this Agreement is effective, the successor servicer, and not Lender, shall have all servicing rights under the Agreement.

(b) Termination of the servicing of any Loan by either CalHFA or Lender shall not release Lender from any responsibility or liability on the part of Lender that arises prior to termination except as CalHFA expressly releases the Lender in writing from such responsibility or liability.

(c) Any notice or termination given under this Agreement shall be in writing and shall be delivered in person or sent by registered mail or certified mail, return receipt requested, addressed to the party to whom such notice is directed. The registering with any post office, or the mailing of any such notice, shall constitute delivery and notice to such party.

5. Exclusion from Other CalHFA Finance Programs. CalHFA may prohibit the participation of Lender in new financing programs during the resolution period.

6. Termination by Lender. Lender shall have the right to terminate this Agreement without prior written approval of CalHFA if, within thirty (30) days following the effective date of any unilateral amendment or supplement to the Servicer's Guide by CalHFA, Lender gives CalHFA written notice of its election to terminate its Loan origination and servicing duties under this Agreement. This Agreement shall continue in full force and effect, and Lender's servicing duties hereunder shall be performed under the Servicer's Guide as it existed immediately prior to the amendment or supplement causing Lender's written notice of election to terminate, until CalHFA has entered into an Agreement with another Loan Servicer at which time this Agreement shall terminate. CalHFA agrees to use its best efforts to enter into another Agreement within a reasonable period of time. Lender shall have no other right to terminate this Agreement without prior written approval of CalHFA.

7. Effect of Termination. If any event of termination occurs, no interest in this Agreement shall be deemed an asset or liability of Lender or Lender's successors or assigns, nor shall any interest in this Agreement pass by operation of law without the consent of CalHFA.

8. Duties Upon Termination. From and after the effective date of termination of this Agreement pursuant to any provisions hereof, Lender shall be relieved of further responsibility in connection with originating or servicing Loans. Unless specifically provided for in writing between the parties, no Loans shall be purchased by CalHFA from Lender following that date. Lender shall immediately pay CalHFA all monies collected and held by it, less any servicing fees to which it is entitled pursuant to this Agreement, the Servicer's Guide or other agreement entered into in writing between the parties relating to the Loans. Within fifteen (15) days of notice of termination, Lender shall deliver to CalHFA or assigns all Loan documents, insurance policies, and records in connection with Loans purchased by CalHFA. Within thirty (30) days of termination, Lender shall deliver to CalHFA full accounting, including a statement showing the monthly payments collected by it and a statement of monies held in trust by it for the payment of maintenance or other charges with respect to all Loans.

## **ARTICLE VI - REMEDIES**

1. Borrower's Misrepresentation. In the event that any representation by a Borrower with respect to a Loan shall prove to have been untrue when made or at the time of Loan Purchase, Lender shall have one hundred fifty (150) days from the date of discovery of the misrepresentation

by Lender or CalHFA in which to cure any Tax Code defects caused by Borrower's misrepresentation. If such cure cannot be effected within said period, Lender shall, at the option of CalHFA, immediately Repurchase such Loan.

2. Lender's Negligence or Misrepresentation. In the event of any default or breach of this Agreement or any of the Commitment Documents including, but not limited to Lender's failure to make Loan payments on FHA insured Loans as required by Article III Section 6 hereof, or negligence, including, but not limited to, failure to exercise due diligence in determining the accuracy of Borrower's representations, or misrepresentation by Lender, Lender shall have sixty (60) days from discovery by Lender or CalHFA of such default, breach, negligent act or misrepresentation in which to cure such default, breach, negligent act or misrepresentation. If such cure cannot be effected within the 60-day cure period, Lender shall, at the option of CalHFA, immediately Repurchase such Loan.

3. Loan Originator's Negligence or Misrepresentation. In the event that Lender is servicing Loans originated and/or sold to CalHFA by another lender, any default or breach of this Agreement or any of the other Commitment Documents, or negligence (including, but not limited to, failure to exercise due diligence in determining the accuracy of Borrower's representations) or misrepresentation by a Loan originator other than Lender (excluding Lender's correspondent lenders), Lender shall have one hundred fifty (150) days from the date of discovery by Lender or CalHFA of the default, breach, negligent act or misrepresentations in which to cure any Loan noncompliance caused thereby. If such cure cannot be effected within said 150-day period, Lender shall, at the option of CalHFA, immediately Repurchase such Loan.

4. Cost of Repurchase. CalHFA shall be entitled to reimbursement from Lender for all of its costs in enforcing the Repurchase of a Loan, including, but not limited to, attorneys' fees.

5. Insurance Remedies.

(a) Failure to Maintain Insurance or Make Timely Claim. Lender's obligation to maintain each policy of standard hazard insurance as required by Article II, Subsection 6(c) and mortgage insurance required by Article II, Subsection 5(j) herein is absolute, and is not conditioned on payment of impound fees or insurance premiums by the Borrower. In the event Lender fails to maintain any insurance policies required by this Agreement or the Servicer's Guide including, but not limited to, policies of standard hazard insurance, mortgage insurance, or do any act required by an insurer, this Agreement or the Servicer's Guide, which causes a loss under a required policy to be wholly uninsured, or if a loss is uninsured due to a dispute regarding the coverage between Lender and the insurer, Lender shall Repurchase the Loan within thirty (30) days of CalHFA's demand.

(b) Failure to Make Claim Within Time Specified in Servicer's Guide. In the event Lender fails to make a claim to any insurer on CalHFA's behalf within the time limits set out in the applicable insurance policy, this Agreement or the Servicer's Guide, or maintains or causes to be maintained, insurance in an amount less than the amount required by this Agreement or the Servicer's Guide and such failure results in a loss of interest earnings by CalHFA, or an insufficient payment on an insured loss, Lender shall pay to CalHFA all interest on the Loan accruing from the stated claim date and the date the insurance claim is received by the insurer, or the amount of the uninsured loss, as applicable, unless such interest or uninsured loss is paid to CalHFA by the insurer

or Borrower, or at CalHFA's option, Lender will be required to Repurchase the Loan within thirty (30) days of CalHFA's demand for Repurchase.

## **ARTICLE VII - MISCELLANEOUS**

1. Duration of Agreement. Unless sooner terminated as herein provided, this Agreement shall continue from the date hereof until terminated by the mutual consent of the parties.
2. Other Remedies; Cumulative Remedies. In addition to the remedies set forth above, CalHFA shall have all remedies available at law or in equity. All of such remedies shall be cumulative and the exercise by CalHFA of any one or more of them shall not in any way alter or diminish the rights of CalHFA to pursue any other remedy provided for herein or at law or in equity.
3. Warranties of the Lender. The representations, warranties and covenants of the Commitment Documents are hereby incorporated herein by this reference.
4. Compliance with Applicable Laws. Lender shall comply with the requirements of all federal, state and local laws applicable to the Loans.
5. Indemnification by Lender. Lender shall indemnify and hold CalHFA harmless against any and all expenses, fees, losses, damages, penalties, fines, forfeitures, legal fees and related costs that CalHFA may incur as a result of any failure on the part of Lender to comply with this Agreement.
6. Examination of Account and Loan Records. Lender shall permit any employee or designated representative of CalHFA at any reasonable time during regular business hours to examine, audit and copy any of the Loan records maintained by Lender.
7. Severability. In the event that any provision of this Agreement conflicts with applicable law, such conflict shall not affect the other provisions of this Agreement which can be given effect without such conflict, and to that end the provisions of this Agreement shall be severable.
8. Prohibition of Assignment. This Agreement shall not be assigned whether voluntarily, by operation of law or otherwise, by Lender without the written consent of CalHFA. Any assignment or attempted assignment by Lender shall be void and deemed to be cause for termination of this Agreement or other remedial action by CalHFA.
9. Notices. Unless otherwise specified in this Agreement, all notices from Lender to CalHFA shall be sent by mail addressed to Single Family Program Administration Manager, California Housing Finance Agency, 1121 "L" Street, 7th Floor, Sacramento, California 95814, and all notices from CalHFA to Lender shall be sent by mail addressed to Lender at the address specified below unless another address is designated in writing by Lender.
10. Governing Law. This Agreement shall be governed by the Laws of the State of California.
11. Amendment or Waiver. The provisions of this Agreement shall not be amended or waived except by a writing signed by the parties hereto. Any action or failure to enforce strict performance

shall not be deemed a waiver of any provision of this Agreement.

12. Attorneys' Fees. In any action to enforce or relating to any provision of this Agreement, the prevailing party shall be entitled to recover its costs and expenses in connection with such suit or any appeal thereof, including without limitation, its attorneys fees. Whenever provision is made in this Agreement for the payment of attorneys fees, such fees shall be payable whether the legal services are rendered by a salaried employee of the party or by independent counsel and shall include such fees as are incurred in connection with any pretrial proceeding, trial or appeal of the action.

13. Applicable Loans. This Agreement shall apply to all Loans (i) originated by Lender (or by a Lender's correspondent lender and transferred to Lender prior to purchase by CalHFA, as applicable) pursuant to Commitments made prior to, concurrently with or subsequent to its execution by the parties. It shall also apply to all Loans, whether past, present or future, and whether originated by Lender or not, for which Lender assumes or has assumed, with CalHFA approval, the obligation to service. Except as otherwise provided herein, this Agreement supersedes any prior agreements or understandings, whether written or oral, between CalHFA and Lender governing the origination, purchase or servicing of Loans. Notwithstanding the foregoing, the parties may subsequently agree, in writing, that certain CalHFA loans are not governed by this Agreement.

**Primary Loan Origination  
Department Contact:**

**Primary Loan Servicing  
Department Contact:**

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**LENDER:** \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**CALIFORNIA HOUSING FINANCE AGENCY:**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_