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**EACH DOCUMENT IS INTENDED FOR INFORMATIONAL PURPOSES ONLY. IF YOUR LOAN APPLICATION IS ACCEPTED BY CALHFA, THE LOAN DOCUMENTS SPECIFIC TO YOUR TRANSACTION WILL BE TAILORED TO MEET THE SPECIFIC REQUIREMENTS OF YOUR TRANSACTION AND MAY VARY SUBSTANTIALLY FROM THE DOCUMENTS POSTED HERE. THE TEMPLATE LOAN DOCUMENTS ARE SUBJECT TO CHANGE WITHOUT NOTICE. CALHFA DOES NOT WARRANT OR REPRESENT THAT THE COVENANTS AND CONDITIONS IN THE TEMPLATE DOCUMENTS WILL APPLY TO YOUR SPECIFIC TRANSACTION.**

**FREE RECORDING REQUESTED )**  
**PURSUANT TO GOVERNMENT )**  
**CODE SECTION 27383 )**  
)  
Recording requested by and )  
when recorded return to: )  
)  
CALIFORNIA HOUSING FINANCE )  
AGENCY )  
Office of General Counsel )  
P.O. Box 4034 )  
Sacramento, CA 95812-4034 )

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(Space above this line for Recorder's use)

**SUBORDINATION AGREEMENT**  
**MHSA**

**NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN(S) OF SOME OTHER OR LATER SECURITY INSTRUMENT(S).**

THIS AGREEMENT dated as of \_\_\_\_\_, 20\_\_ for informational purposes, is entered into by and between \_\_\_\_\_, a \_\_\_\_\_ (“**Lender**”), \_\_\_\_\_ a California \_\_\_\_\_ (“**Borrower**”), and the California Housing Finance Agency, a public instrumentality and political subdivision of the State of California (“**Agency**”) in connection with a loan by the Agency on behalf of the California Department of Mental Health to finance a multifamily residential rental housing project on that real property located in \_\_\_\_\_, California and more particularly described on **Exhibit A** attached hereto and incorporated herein by this reference (“**Project**”). Unless otherwise noted, references to

instruments recorded in “**Official Records**” refer to instruments recorded in the Office of the County Recorder of the County of \_\_\_\_\_.

**RECITALS**

A. WHEREAS, the Agency has committed to make a \_\_\_\_\_ loan to Borrower in the amount of \_\_\_\_\_ (\$\_\_\_\_\_) (the “**MHSA Permanent Loan**”). The MHSA Permanent Loan shall be evidenced by a promissory note and secured by a deed of trust recorded on the Project. Such deed of trust is titled “California Housing Finance Agency, MHSA Deed of Trust With Assignment of Rents, Security Agreement and Fixture Filing, CalHFA Development No. \_\_\_\_\_,” (hereinafter referred to as the “**MHSA Deed of Trust**”); and

B. WHEREAS, the Agency is restricting the Project pursuant to a regulatory agreement titled “California Housing Finance Agency, MHSA Regulatory Agreement (Mental Health Services Act Housing Program), CalHFA Development No. \_\_\_\_\_,” hereinafter referred to as the “**MHSA Regulatory Agreement**” and if portions of the MHSA Permanent Loan are used during construction, will be subject to an unrecorded MHSA Loan Disbursement Agreement. The MHSA Deed of Trust, MHSA Regulatory Agreement, and the MHSA Permanent Loan Disbursement Agreement (if applicable), along with any other unrecorded documents related to the MHSA Permanent Loan, shall hereinafter collectively be referred to as the “**MHSA Permanent Loan Documents**”; and

C. WHEREAS, Lender and Borrower previously agreed to encumber the Project with that certain deed of trust recorded on \_\_\_\_\_ as Instrument No. \_\_\_\_\_, in the Official Records (“**Lender Deed of Trust**”); and

D. WHEREAS, the Lender Deed of Trust, any and all UCC Financing Statements filed within or out of this state and any other recorded and unrecorded Lender documents pertaining to this Project shall hereinafter collectively be referred to herein as the “**Lender Documents**”; and

E. WHEREAS, it is a condition precedent to the Agency making the MHSA Permanent Loan that the MHSA Permanent Loan Documents have priority over the Lender Documents; and

F. WHEREAS, it is beneficial to all the parties to this Agreement that the Agency make the MHSA Permanent Loan, and the parties are willing to subordinate the Lender Documents in order that the MHSA Permanent Loan be made.

NOW THEREFORE, in consideration of the mutual benefits accruing to the parties hereto and other valuable consideration, the receipt and legal sufficiency of which is hereby acknowledged, it is hereby declared, understood and agreed as follows:

1. Subordination of Lender Documents. The Lender Documents are hereby unconditionally subordinated to the MHSA Permanent Loan Documents including all extensions, modifications, incremental disbursements of the original amount of the MHSA Permanent Loan if

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made during construction, or additional advances made hereunder. Hereafter, the MHSA Permanent Loan Documents shall unconditionally be, and remain at all times, liens and encumbrances on the Project prior and superior to the liens and encumbrances of the Lender Documents, and to all rights and privileges of the parties thereunder, and the liens and encumbrances of the Lender Documents together with all rights and privileges of the parties thereunder shall hereby be subjected and made subordinate to the liens and encumbrances of the MHSA Permanent Loan Documents. In any event of conflict between the Lender obligations and the MHSA obligations, the MHSA obligations shall prevail. A judicial or nonjudicial foreclosure of the MHSA Deed of Trust shall result in the lien of the Lender Documents on the Project being extinguished.

2. Successors in Interest. This Agreement is for the benefit of the parties hereto and is enforceable by any party against any successors in interest or assigns of any party hereto.

3. Attorney Fees. If any party shall take any legal action to enforce the terms and conditions of this Agreement, the prevailing party or parties shall be entitled to recover legal costs and reasonable attorney fees from the other party or parties.

4. Amendments. Amendments to this Agreement must be in writing and signed by all parties hereto.

5. Governing Law. This Agreement shall be construed in accordance with and be governed by the laws of California.

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

7. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, it will not invalidate or render unenforceable any other part of this Agreement.

8. Warranties. Lender hereby represents and warrants to the Agency that at the time of execution of this Agreement, the Borrower is in substantial compliance with its obligations to Lender under the terms of the Lender Documents, and that Lender has read and understands the MHSA Permanent Loan Documents and agrees that in the event of conflict of terms between the MHSA Permanent Loan Documents and Lender Documents, the MHSA Permanent Loan Documents shall prevail.

9. Lender, Borrower, and the Agency hereby agree to be bound by all the terms, conditions and covenants of this Agreement.

**NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND.**

IN WITNESS WHEREOF, the parties hereto have executed this Agreement which shall become effective upon recordation.

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**BORROWER:**

\_\_\_\_\_, a  
\_\_\_\_\_

By: \_\_\_\_\_  
Name \_\_\_\_\_  
Title: \_\_\_\_\_

**LENDER:**

\_\_\_\_\_, a  
\_\_\_\_\_

By: \_\_\_\_\_  
Name \_\_\_\_\_  
Title: \_\_\_\_\_

**AGENCY:**

**CALIFORNIA HOUSING FINANCE AGENCY, a**  
public instrumentality and political subdivision of the  
State of California

By: \_\_\_\_\_  
Name \_\_\_\_\_  
Title: \_\_\_\_\_

**ACKNOWLEDGMENTS**

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**EXHIBIT A**

**Legal Description**

**ACKNOWLEDGEMENTS**

STATE OF CALIFORNIA  
COUNTY OF \_\_\_\_\_

On \_\_\_\_\_ before me, \_\_\_\_\_  
(insert the name and title of the officer), personally appeared \_\_\_\_\_  
(insert name of signer), who 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the  
foregoing is true and correct.

WITNESS my hand and official seal.

\_\_\_\_\_  
(Signature) (Seal)

STATE OF CALIFORNIA  
COUNTY OF \_\_\_\_\_

On \_\_\_\_\_ before me, \_\_\_\_\_  
(insert the name and title of the officer), personally appeared \_\_\_\_\_  
(insert name of signer), who 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the  
foregoing is true and correct.

WITNESS my hand and official seal.

\_\_\_\_\_  
(Signature) (Seal)