



# California Housing Finance Agency

1121 "L" Street, 7<sup>th</sup> Floor Sacramento, CA 95814

---

## *Program Bulletin*

January 14, 2000

Program Bulletin #2000-02

To: CHFA Approved Lenders

### **REVISED CHFA 100% LOAN PROGRAM (CHFA Housing Assistance Program - CHAP Second Mortgages)**

This Program Bulletin supersedes all previous Program Bulletins addressing the CHFA 100% Loan Program. Effective today for new loan reservations, the 100% Loan Program will now be available on a statewide basis for all low-income first-time homebuyers and will also be available to moderate income first-time homebuyers in counties that are either defined as CHFA high cost areas of the state or counties that have been underserved with respect to CHFA financing. A list of eligible moderate income counties is provided below under the Borrower Eligibility section of this Bulletin.

In addition to the expanded eligible counties, the Agency has made a few slight modifications to the CHFA Housing Assistance Program (CHAP) Deed of Trust, adding subordination language, and has revised the CHAP Addendum MSV-II Post Purchase Submittal (1/12/00) to be used for second mortgages under this program.

No changes were made to the CHFA Housing Assistance Program (CHAP) Promissory Note (3/17/99). These documents (copies attached) must be utilized for all CHAP second mortgages closed on or after February 15, 2000.

For the benefit of those branch offices of approved CHFA Lenders that have not previously participated in the CHFA 100% Loan Program, the following program information and guidelines are provided.

### **EFFECTIVE DATE OF LOAN RESERVATIONS**

The expansion of eligible areas for the 100% Loan Program as described in this

PB.2000-02

bulletin are effective only with loan reservations made on or after January 14, 2000. CHFA loan reservations made prior to this date are not eligible under the expanded guidelines. *Borrowers with pre-existing reservations (prior to January 14, 2000) who wish to apply for the 100% Loan Program under the expanded guidelines described herein, must cancel the existing reservation and relock the loan reservation under the new guidelines. CHFA permits Lenders to relock reservations, however, the relock will be subject to the current applicable interest rate in effect at the time the reservation is relocked. In the situation where the current applicable interest rate is lower than a previously reserved rate, relocking will result in a 1% relock fee. No exceptions will be granted.*

## **PROGRAM PURPOSE, USE AND TERMS**

The program is designed to provide up to 100% of the financing needs of prospective eligible first-time homebuyers. It generally consists of a standard 97% CHFA FHA or CAHLIF-insured first mortgage with a special 3% CHAP down payment assistance second mortgage. 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 by CHFA and is junior to the CHAP second mortgage.

The first mortgage is a standard CHFA FHA-insured or CAHLIF-insured 30-year fixed rate loan. CHFA interest rates on the first are established under the standard program rates for both new construction and existing resale. Interest rates are subject to change and are announced under separate CHFA Program Bulletins when applicable. Current interest rates are also posted on the CHFA web page under the following address: [www.chfa.ca.gov](http://www.chfa.ca.gov). CHFA's preferred interest rates offered for the CHFA Affordable Housing Partnership Program (AHPP) are not applicable to this program, unless the borrower has or will obtain additional CHFA approved subordinate financing provided by a local governmental agency.

The CHAP second is a 30-year deferred payment mortgage with a maximum principal amount up to 3% of total sales price or value, whichever is less. The CHAP interest rate is fixed on the second and is set at three percent per annum (3%). Repayment of the entire principal and interest of the CHAP second is due upon either of the following events: sale or transfer of the secured property; refinance or payoff of the first mortgage; or upon the formal filing and recording of a Notice of Default (unless rescinded). Prepayment of the CHAP second is

permitted. Partial loan payments may be made in amounts not less than \$100 or more per payment. CHFA does not charge prepayment penalties on CHAP loans.

For CAHLIF-insured mortgages in the program, the annual insurance premium is 90 basis points for the first year and each subsequent renewal period.

## **BORROWER ELIGIBILITY**

The CHFA 100% Loan Program is *available to all low-income homebuyers in all 58 counties in California*. Moderate-income homebuyers are eligible only in the following counties:

### **MODERATE-INCOME ELIGIBLE COUNTIES**

|              |             |            |                 |            |          |
|--------------|-------------|------------|-----------------|------------|----------|
| Alameda      | Humboldt    | Mono       | San Benito      | Santa Cruz | Trinity  |
| Alpine       | Inyo        | Monterey   | San Bernardino  | Shasta     | Tuolumne |
| Amador       | Lassen      | Napa       | San Diego       | Sierra     | Ventura  |
| Calaveras    | Los Angeles | Nevada     | San Francisco   | Siskiyou   | Yolo     |
| Contra Costa | Marin       | Orange     | San Luis Obispo | Solano     | Yuba     |
| Del Norte    | Mariposa    | Placer     | San Mateo       | Sonoma     |          |
| El Dorado    | Mendocino   | Plumas     | Santa Barbara   | Sutter     |          |
| Glenn        | Modoc       | Sacramento | Santa Clara     | Tehama     |          |

Refer to Program Bulletin #99-16 for the current program income limits. Income limits are subject to change and will be announced by Program Bulletin when applicable.

All borrowers must be first-time homebuyers and must meet all standard CHFA first mortgage eligibility requirements (please refer to the CHFA Program Manual-Rev. 8/99 for information on standard Borrower and first mortgage eligibility requirements).

## **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, for current requirements. Sales prices are subject to change and will be announced by Program Bulletin when applicable. Current price limits are listed in Exhibit N of the Program Manual.

## **LOAN PROCESSING AND PURCHASE DOCUMENTATION PROCEDURES**

Reservations for the 100% Loan Program must be made utilizing CHFA's Lender Access System (LAS). As data is entered into the LAS, indicate a "Y" for YES in the applicable "CHFA 100% Second Loan Program" prompt on the computer screen. Input the estimated amount of the second mortgage (not to exceed 3% of the price/value) where indicated.

Once the reservation has been made and confirmed by CHFA, the lender will be required to submit the standard CHFA loan file for review and conditional approval. Please refer to the CHFA Program Manual for submission procedures and document requirements. The file should be clearly marked "CHFA 100% Loan Program" on the outside cover of the loan file.

CHFA will review and approve both the CHFA first and CHAP second mortgages simultaneously. CHFA's conditional approval will indicate the approval and amount accepted for the CHAP second mortgage.

Lenders must use the CHAP Promissory Note (3/17/99) and Deed of Trust (1/12/00) for CHAP seconds closed on or after February 15, 2000. CHAP loans closed **prior** to February 15, 2000, may use either CHAP Deed of Trust.

The Lender is to prepare and record an Assignment of the Deed of Trust for the CHAP second mortgage in addition to the Assignment prepared and recorded for the CHFA first mortgage. Lenders shall also obtain an ALTA Lenders Title policy that includes coverage of both the CHFA first and second mortgages combined, 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 mortgage must be obtained.

After loan closing, the Lender must endorse both promissory notes (CHFA first and second) in favor of the "California Housing Finance Agency", and submit the notes along with the "Mortgage Submission Voucher Part II: Purchase Submittal and Lender Certification" (sample copy attached), and certified copies of the Settlement Statement, the CHAP Note and Deed, and the Assignment of the CHAP Deed to the Agency for purchase of the loans. Submission of the 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.

Upon receipt of the required purchase documents, CHFA will review both notes and the settlement statement to determine that the loans are acceptable. If so, CHFA will fund both loans. To complete the process, CHFA requires the Lender to submit the following documents within 120 days from closing:

1. "CHAP Addendum Mortgage Submission Voucher Part II: Post Purchase Submittal" (see attached copy);
2. the original recorded or a title company certified copy of the CHAP Deed of Trust (1/12/00) as prepared for recording (see attached copy);
3. the original recorded or a title company certified copy of the Assignment of the CHAP Deed of Trust as prepared for recording;
4. a copy of the ALTA Lender's Title Policy for the second insuring CHFA in a second lien position for the full amount of the second mortgage; and
5. the original recorded or title company certified copy of the Request for Notice of Default (on the first mortgage).

If title company certified copies are submitted to meet the 120 day delivery requirement, the original recorded documents must be forwarded to CHFA upon receipt from the county recorder's office.

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

## **SERVICING**

CHAP second mortgages will be serviced directly by CHFA due to the deferred payment loan structure, minimal servicing requirements and no servicing fee. Servicing rights of the CHFA first mortgage will remain in accordance with the applicable Mortgage Purchase and Servicing Agreements between CHFA and Approved Lenders.

At the time of loan purchase, CHFA will notify the borrower of the CHAP second mortgage loan number and provide instructions to the borrower regarding procedures for prepayments or loan payoffs to be made directly to CHFA.

## **COMPENSATION TO LENDERS**

In addition to normal fees allowed for CHFA first mortgage loans, Lenders are permitted to charge the borrower or seller an additional **\$250** to process the CHAP second mortgage. The \$250 processing fee for the second mortgage 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 CHAP second mortgages since servicing fee income is not collected.

## **QUESTIONS**

Questions regarding this program may be directed to Single Family Programs by mail at CHFA, 1121 L Street, 7th Floor, Sacramento, CA 95814; FAX (916) 324-6589; or by calling (916) 324-8088.

## **Attachments**

SANON3FQ7:kro

Recording requested by and )  
 when recorded return to: )  
 )  
 )  
 \_\_\_\_\_ )  
 \_\_\_\_\_ )  
 \_\_\_\_\_ )  
 \_\_\_\_\_ )

(Space above this line for Recorder's use)

**PERMANENT DEED OF TRUST WITH ASSIGNMENT OF RENTS,  
 SECURITY AGREEMENT AND FIXTURE FILING  
 (CHFA Housing Assistance Program)**

**NOTICE TO BORROWER  
 THIS DEED OF TRUST CONTAINS  
 PROVISIONS RESTRICTING ASSUMPTIONS**

This Deed of Trust is made on \_\_\_\_\_, \_\_\_\_, by \_\_\_\_\_  
 \_\_\_\_\_ (the "Borrower"), to \_\_\_\_\_  
 \_\_\_\_\_ (the "Trustee"), whose business address is \_\_\_\_\_  
 \_\_\_\_\_ in favor of \_\_\_\_\_  
 \_\_\_\_\_ (the "Lender"), whose address is \_\_\_\_\_  
 \_\_\_\_\_.

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 below as,

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 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 shall promptly pay when due the principal of and interest on the indebtedness evidenced by the Note and late charges as provided by the Note, as defined below.

3. Application of Payments. Unless applicable law 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.

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.

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

Payment of the indebtedness evidenced by that certain promissory note of Borrower of even date herewith and titled "Promissory Note (CHFA Housing Assistance Program)" (the "Note") of Borrower in the face amount of \_\_\_\_\_ Dollars, (\$ \_\_\_\_\_), together with interest on such indebtedness according to the terms of the Note, and any and all amendments, modifications, extensions or renewals of the Note.

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

5.1 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 Lender.

5.2 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.

5.3 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.

5.4 Payment and Discharge of Liens. Borrower shall pay, when due, all claims of every kind and nature which might or could 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 this 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 Borrower in good faith and by appropriate legal proceedings, and (c) such deeds of trust as are approved by Lender in writing. 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.

6. IT IS MUTUALLY AGREED THAT:

6.1 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.

6.2 Prohibition on Transfer of Interests. Borrower shall not make any sale, lease, conveyance or other transfer of the Property in any form, or any part thereof or interest therein, without the prior written consent of Lender. Lender may decline to give such consent in its sole discretion.

6.3 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.

6.4 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 of 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.

6.5 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.

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

## 7. EVENTS OF DEFAULT

7.1 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 continuous 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 any superior note or deed of trust on the Property shall entitle Lender to exercise the rights or remedies thereunder.

### 7.2 Acceleration and Sale.

(a) Acceleration. In the event of any default 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 of 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 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, or any other instrument evidencing or securing any indebtedness hereby secured, in such order as Lender shall direct; and then the remainder, if any, shall be paid to the person or persons legally entitled thereto.

7.3 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 7.2(b).

7.4 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.

7.5 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.

7.6 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. MISCELLANEOUS PROVISIONS

8.1 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.

8.2 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.

8.3 Actions on Behalf of Lender. Except as be 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.

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

8.5 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.

8.6 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.

8.7 Indemnification. Borrower shall 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.

8.8 HUD Insurance. Notwithstanding any provision in this Deed of Trust to the contrary, in the event a purchase money deed of trust is insured by HUD, the provisions of said HUD deed of trust shall control to the extent that its provisions conflict with the provisions of this Deed of Trust.

8.9 Subordination. This Deed of Trust is specifically subordinated to a first Deed of Trust securing the permanent financing of the property and recorded concurrently herewith.

IN WITNESS WHEREOF, Borrower has executed this Deed of Trust on the day and year set forth above.

SIGNATURE OF BORROWER(S)

---

---

**PROMISSORY NOTE  
(CHFA Housing Assistance Program)**

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

**Property Address:** \_\_\_\_\_

\$ \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_,

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 "Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing,  
(CHFA Housing Assistance Program) (the "Deed of Trust"), and executed by the Borrower  
contemporaneously herewith.

1. The 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.

2. Occupancy. The Borrower shall continuously occupy the Property as the Borrower's principal place of residence during the term of this Note.

3. Loan Not Assumable, Prohibition on Transfer of Interests. The Borrower shall not make any sale, lease, rental, conveyance or other transfer of the Property in any form, or any part thereof or interest therein, without the prior written consent of the Lender. The Lender may decline to give such consent at the Lender's sole discretion.

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

(1) When any superior note and deed of trust of the Lender on the Property becomes due and payable;

(2) When any superior note and deed of trust of the Lender on the Property is paid in full;

- (3) When any superior note and deed of trust of the Lender on the Property is refinanced; or
- (4) When any superior note and deed of trust of the Lender on the Property is assumed.
- (5) In the event of any sale, lease, rental, conveyance or other transfer of the Property in violation of paragraph 3 of this Note.

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

- (1) In the event of a default under the terms of this Note or the Deed of Trust securing this Note;
- (2) In the event of a default under the terms of any superior note or deed of trust of the Lender on the Property;
- (3) In the event that the Borrower shall cease to occupy the Property as the Borrower's principal place of residence, or;
- (4) In the event of any sale, lease, rental, conveyance or other transfer of the Property in violation of paragraph 3 of this 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, and 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 or the Deed of Trust, shall automatically, become immediately 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 term or 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. The 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 this Note or the Deed of Trust shall 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 this Note, the 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