



INVITATION TO PARTICIPATE

Because of continuing interest expressed to the Authority about its single-family programs, the Authority is continuing its Step Up Program (the "Program"). The Authority invites you to continue participation in the Program for origination of qualifying mortgage loans (the "Mortgage Loans") to finance the acquisition of owner-occupied detached or attached single-family residences within the State of Alabama.

Mortgage Loans will be originated by lending institutions participating in the Program as originating lenders (the "Originators") pursuant to the provisions of the Origination and Sale Agreement delivered to the Originator with this Invitation to Participate (the "Agreement"). Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Agreement. Originators will sell all Mortgage Loans originated and closed under the Program to the Authority who will aggregate the Mortgage Loans into Ginnie Mae and Fannie Mae pools and provide Ginnie Mae Certificates and Fannie Mae Certificates backed by such Mortgage Loans. The servicing of all Mortgage Loans will be performed by the Authority. Mortgage Loans purchased by the Authority will be purchased based on a sliding scale in an amount equal to between 1.00% to 2.00% of the principal amount of the Mortgage Loans in the case of FHA-insured and Rural Development Guaranteed Mortgage Loans, and 1.00% to 150% in the case of Conventional Loans, plus in each case, accrued interest to the date of purchase.

Reservations of funds will be made to Originators on a loan-by-loan basis under the Authority's existing online reservation system. See "Reservation System" in the Program Guidelines dated as of April 1, 2013, including Appendices (the "Program Guidelines") for a more complete description of the reservation system.

THE AGREEMENT AND THE PROGRAM GUIDELINES SHOULD BE READ IN THEIR ENTIRETY FOR THE DETAILS OF THE PROGRAM. PARTICIPANTS SHOULD PAY PARTICULAR ATTENTION TO THE DESCRIPTIONS OF THE RESERVATION OF FUNDS SYSTEM, AND THE PRIOR APPROVAL PROCEDURES. UNLESS OTHERWISE PROVIDED, ALL CAPITALIZED TERMS USED HEREIN SHALL HAVE THE MEANING SPECIFIED IN THE AGREEMENT.

Included below are brief descriptions of the commitment and acceptance procedures for the Program. In addition, there are enclosed herewith the following:

1. Program Guidelines
2. Form of Agreement
3. Originator Questionnaire
4. Funding Authorization

Each institution desiring to participate in the Program as an Originator must submit the following to the Authority:

1. A completed Originator Questionnaire; and
2. Completed wiring instructions (use ServiSolutions® Funding Authorization form); and
3. One copy of your most recent audited financial statements; and
4. Resumes of principal officers and underwriting personnel; and
5. Lender's quality control procedures; and
6. Results of background checks for principal officers; and
7. Lender's hiring procedures for checking all employees, including management, in the origination of mortgage loans against GSA Excluded Parties List, HUD LDP List, and FHFA SCP List; and
8. Three executed Signature Pages of the Agreement.

The material described above should be delivered to the Authority at:

Alabama Housing Finance Authority
7460 Halcyon Pointe Drive, Suite 200
Montgomery, Alabama 36117
Attn.: Mike King

After the Authority has accepted an Originator for participation in the Program, the Authority will send to such institution a notice of acceptance (the "Notice of Acceptance"). However, the Authority will not allow an Originator to begin utilizing the Program until that institution has completed the required webinar training for the Program as well as Lender Online, a lender portal for reservations and package submissions. The webinars are offered periodically throughout each month and the training calendar can be accessed on the Authority's website, www.AHFA.com.

The Authority will act as administrator of the Program. Questions concerning the Program should be directed to the Authority c/o Mr. Mike King.

THE DESCRIPTION OF THE TERMS OF THE PROGRAM HEREIN MUST BE READ TOGETHER WITH THE PROGRAM GUIDELINES AND THE AGREEMENT, ALL OF WHICH ARE SUBJECT TO FINAL APPROVAL BY THE AUTHORITY. THE AUTHORITY RESERVES THE RIGHT TO ACCEPT OR REJECT THE PARTICIPATION OF ANY LENDING INSTITUTION.

Thank you for your interest in our Program.

ALABAMA HOUSING FINANCE AUTHORITY





PROGRAM GUIDELINES

Dated as of June 21, 2013

The following comprises a description of the Program Guidelines as adopted by the Authority for its Step Up Program (the "Program") and includes definitions of certain of the terms relevant to the Program and referred to in the Origination and Sale Agreement for the Program, dated as of June 21, 2013 (the "Agreement"). All capitalized terms used herein, unless otherwise specified, shall have the meaning specified in the Agreement.

The Authority will use its best efforts to provide funds which will be used to acquire Ginnie Mae Certificates and Fannie Mae Certificates backed by Qualified Mortgage Loans and will be made available for such purpose in accordance with the procedures hereinafter described.

THE AGREEMENT CONTAINS PROCEDURES AND REQUIREMENTS RELATING TO THE ORIGINATION AND SALE OF MORTGAGE LOANS AND ORIGINATORS' REPRESENTATIONS RELATING THERETO AS WELL AS OTHER IMPORTANT PROVISIONS. THE AGREEMENT AND THESE PROGRAM GUIDELINES SHOULD BE READ IN THEIR ENTIRETY.

- 1. Eligible Lending Institutions.** To be accepted for participation as an originating lender (an "Originator") in the Program, lending institutions must meet the following criteria for an Originator I, II, III, or IV Level approval:

An **Originator I** must (i) have originated single-family residential mortgage loans in the State (such loans having been regularly made to members of the general public and not solely through affiliates of the lending institutions) and be qualified to do business in the State, (ii) have maintained an office in the State for origination of single-family mortgage loans at least 12 consecutive months immediately prior to the execution of this Agreement, (iii) be an FHA-approved mortgagee and an approved Fannie Mae seller/servicer, (iv) in its Originator Questionnaire or other submissions to the Authority have satisfied the Authority, based on the submitted information, representations and certifications, as to its ability to properly carry out its obligations as an Originator I under the Agreement, (v) if participating in a previous program of the Authority, be in good standing under such previous program, (vi) not be, and their parent company, if applicable, must not be, on any form of "watch list" or under any program of specified supervision of the FDIC, Federal Home Loan Bank, NCUA, or other regulatory body, and (vii) be a MERS-approved lender.

An **Originator II** must; (i) have originated single-family residential mortgage loans in the State (such loans having been regularly made to members of the general public and not solely through affiliates of the lending institutions) and be qualified to do business in the State, (ii) have maintained an office in the State for origination of single-family mortgage loans 12 months prior to the execution of this Agreement, (iii) be an FHA-approved mortgagee, (iv) furnish audited financial statements evidencing \$1,000,000 net worth, (v) maintain and furnish evidence of \$500,000 in Errors and Omissions coverage, (vi) maintain and furnish evidence of Fidelity Bond coverage, (vii) in its Originator Questionnaire or other submissions to the Authority have satisfied the Authority, based on the submitted information, representations and certifications, as to its ability to properly carry out its

obligations as an Originator II under the Agreement, (viii) if participating in a previous program of the Authority, be in good standing under such previous program, and (ix) not be, and their parent company, if applicable, must not be, on any form of “watch list” or under any program of specified supervision of the FDIC, Federal Home Loan Bank, NCUA, or other regulatory body, and (x) be a MERS-approved lender.

An **Originator III** must (i) have originated single-family residential mortgage loans in the State (such loans having been regularly made to members of the general public and not solely through affiliates of the lending institutions) and be qualified to do business in the State, (ii) have maintained an office in the State for origination of single-family mortgage loans at least 12 consecutive months immediately prior to the execution of this agreement, (iii) furnish audited financial statements evidencing \$250,000 net worth, (iv) be an FHA/VA approved mortgagee, (v) maintain \$500,000 in Errors and Omissions Coverage, (vi) maintain Fidelity Bond Coverage, (vii) in its Originator Questionnaire or other submissions to the Authority have satisfied the Authority, based on the submitted information, representations and certifications, as to its ability to properly carry out its obligations as an Originator III under the Agreement, (viii) be a MERS-approved lender, (ix) have entered into a correspondent lender agreement in a form acceptable to the Authority with an Originator I to originate single-family mortgage loans in the State, and (x) if participating in a previous program of the Authority, be in good standing under such previous program.

An **Originator IV** must (i) be a banking corporation or trust company organized under the laws of this State, under the jurisdiction of the superintendent of banks of the State, or organized under the law of the United States having its principal place of business in this State and is conducting the business of making mortgage loans and taking deposits in this State, (ii) have originated single-family residential mortgage loans in the State (such loans having been regularly originated and not solely through affiliates of the bank) and be qualified to do business in the State, (iii) have maintained an office in the State for origination of single-family residential mortgage loans at least 12 consecutive months immediately prior to the execution of this agreement, (iv) if participating in previous programs of the Authority, be in good standing under such previous programs, (v) not be, and their parent company, if applicable, must not be, on any form of “watch list” or under any program of specified supervision of the FDIC, Federal Home Loan Bank, NCUA, or other regulatory body, (vi) be a MERS-approved lender (vii) furnish audited financial statements evidencing \$1,000,000 net worth, (viii) in its Originator Questionnaire or other submissions to the Authority have satisfied the Authority, based on the submitted information, representations and certifications, as to its ability to properly carry out its obligations as an Originator IV under this agreement, and (ix) have entered into a Contract Service Agreement with Genworth Financial to provide mortgage insurance to conventional loans with a LTV of 80% or greater.

All applicants must furnish the Authority with the information requested in the Authority’s Originator Questionnaire in sufficient detail acceptable to the Authority. The Authority may, in its sole discretion, waive or modify any or all of the foregoing requirements.

2. **Reservation System.** Beginning on April 22, 2013, (the “Commencement Date”), and thereafter during the Commitment Period, the Authority will accept electronic “Reservations of Funds” at <https://lenders.ahfa.com> on a first-come first-served basis from Originators requesting a reservation of the Program funds (a “Reservation of Funds”) for a Mortgage Loan to be made to a particular Eligible Mortgagor to finance the purchase of a particular Residence. Reservations of Funds will be made, by the Authority under the procedures described in the Step Up Procedural Manual. A non-

refundable Commitment Fee of one half of one percent (.50%) of the Mortgage amount for a fifteen (15) day reservation or three quarters of one percent (.75%) of the Mortgage amount for a thirty (30) day reservation will be required in accordance with Section V(c)(2) of the Step Up Procedural Manual. The Authority may, in its sole discretion, waive or modify any or all of the foregoing requirements.

The Authority has adopted a paperless loan submission process. Each Originator is required to complete an online training course prior to requesting a reservation of funds.

3. Types of Loans. In order to qualify under the Program, each Mortgage Loan must be:

- (a) an uninsured Conventional Mortgage Loan, having an original principal balance not exceeding 80% of the lesser of the Appraised Value or Sales Price of the Residence; or
- (b) a Conventional Mortgage Loan insured by a policy of Private Mortgage Guaranty Insurance issued by an approved PMI Insurer; and
 - 1. Insurance in the amount by which the Mortgage Loan principal amount exceeds 80% of the lesser of the Appraised Value or the Sales Price of the Residence; or
 - 2. If such Mortgage Loan is included in Fannie Mae’s “HFA Preferred” program, the loan must meet the requirements of the most current product guidelines including but not limited to required PMI coverage and the requirement of first-time homebuyers to complete pre-purchase counseling as described in the Fannie Mae Selling Guide. PMI coverage will be provided by Genworth Mortgage Insurance split premium and monthly premium product; or
- (c) Insured by FHA; or
- (d) Guaranteed by the Rural Development*.

In all cases, the Mortgage Loans must be for the permanent financing of a Residence located in the State that is being purchased or constructed by or on behalf of an Eligible Mortgagor and that will be occupied as a single-family unit as described herein. Single closing construction-permanent loans are not eligible.

Second mortgages are not permitted under the Program at any time with the exception of second mortgages made under the Authority’s programs, or other programs approved by the Authority

*** The Authority will not offer a Rural Development product at this time.**

4. Eligible Loan Area. The Eligible Loan Area shall be the entire geographical limits of the State.

5. Mortgagor Eligibility. Subject to the funding restrictions and applicable reservations, **applications for Mortgage Loans must be accepted in all of the home mortgage lending offices of each Originator** in the State on a first-come, first-served, fair and equal basis and considered irrespective of race, color, religion, national origin, age or sex. All eligible mortgagors must complete a Homebuyers Education course approved by the Authority, prior to loan closing. The Originator must submit the certificate of completion with the closed loan file.

(a) *Income Restrictions.* The Authority has adopted a single income restriction for the Program. The relevant income limit for the various areas of the State, as of the date hereof, is \$97,300. The Authority may revise the income eligibility criteria from time to time.

(b) *Amount of Mortgage Loan.* The maximum amount of any Mortgage Loan may not exceed the applicable requirements of FHA, Rural Development, Ginnie Mae or Fannie Mae, as the case may be, as of the Closing Date of the Mortgage Loan.

- 6. **Term.** Each Mortgage Loan shall be a level payment mortgage for a 30 year term.
- 7. **Payments.** Each Mortgage Loan is to provide for payments of principal and interest on a monthly basis on the first day of each month. Each monthly payment shall be substantially equal over the entire term.
- 8. **Loan Origination Guidelines.** Each Originator shall originate all Mortgage Loans in accordance with the loan origination, eligibility and credit underwriting standards as established by the Program.

PRIOR TO CLOSING ANY MORTGAGE LOAN, THE ORIGINATOR MUST HAVE RECEIVED A CONDITIONAL COMMITMENT FROM THE AUTHORITY TO THE EFFECT THAT THE AUTHORITY HAS REVIEWED THE MORTGAGE LOAN AND HAS CERTIFIED IT AS A QUALIFIED MORTGAGE LOAN, ELIGIBLE FOR INCLUSION IN THE PROGRAM. THE CONDITIONAL COMMITMENT WILL ENUMERATE A LIST OF ITEMS REQUIRED AT CLOSING. Originators with delegated authority must review the mortgage loan and certify the loan is a qualified mortgage loan eligible for inclusion in the program. A Delegated Conditional Commitment issue prior to loan closing will enumerate a list of items required at closing.

- 9. **Fees in Origination.** In connection with each Mortgage Loan, an Originator may charge and collect from an Eligible Mortgagor or seller of a Residence at the closing of the sale thereof to the extent permitted by law (a) reasonable and customary charges, not in excess of the amounts which would otherwise be assessed if made in connection with a non-Program mortgage loan, which are paid or incurred by the Originator for hazard or mortgage insurance or guaranty premiums, surveys, title insurance, appraisal fees and certain other fees and charges. (b) A Program Participation Fee equal to one and one half of one percent (1.50%) or one and three quarters of one percent (1.75%) of the original principal amount of a Mortgage Loan. The Program Participation Fee includes a 1% Loan Origination Fee to compensate the Originator for costs of the origination of the Mortgage Loan in accordance with all special requirements of the Program, but shall not be considered earned unless and until the Mortgage Loan is closed. A non-refundable Commitment Fee will be remitted to the Authority by the Originator in accordance with the Loan Reservation System.

Originators may, subject to applicable laws and regulations, following the receipt of an application from an Eligible Mortgagor and prior to Closing, collect from the Eligible Mortgagor, the seller of the Residence or other interested person, moneys to pay a portion or all of the non-refundable Commitment Fee with respect to the Reservation of Funds for such Mortgage Loan, to be applied as a credit at Closing.

- 10. **Qualifying Residences.** Subject to certain limitations described below, all Residences financed by Mortgage Loans shall be detached single family houses, attached single family houses or townhouses, units which are manufactured housing insured under Section 203(b) of the National Housing Act of

1934, as amended, and units of a "condominium" or units within a "planned unit development" as such terms are defined in the Fannie Mae Guide.

- 11. Builder Commitments.** The Program does not permit commitments of funds by Originators to builders. Reservation of Funds for individual Mortgage Loans are to be requested and granted as described in paragraph (2) above.
- 12. Permitted Encumbrances.** All Mortgage Loans must be secured by a first lien on the fee simple title or leasehold estate to the Residence. Permitted Encumbrances are those liens, covenants, conditions and restrictions, rights of way, easements and other matters of public record as of the date of the recording of the related Mortgage, which are permitted under the Ginnie Mae Guide or the Fannie Mae Guides and are allowed by FHA, Rural Development, Ginnie Mae, or Fannie Mae, as applicable. All Mortgage Loans must comply with the provisions of the Agreement.
- 13. New Mortgage Requirements.** The proceeds of all Mortgage Loans must be used to provide owner-financing of Residences and not to acquire or replace existing mortgages. No refinancing of any outstanding indebtedness shall be permitted except with regards to Take-out Loans. A Take-out Loan may be made to permit an Eligible Mortgagor to finance a Residence which qualifies as a newly constructed Residence under these Program Guidelines and to retire any indebtedness thereof if (a) such indebtedness was originally incurred within twenty-four (24) months of the Closing Date, (b) the Mortgage Loan will be used as a take-out of the construction or other bridge or interim loan and (c) the term of construction, bridge or interim loan being refinanced does not, as of the Closing of the Mortgage Loan, exceed twenty-four (24) months or such other period as the Authority may determine, in accordance with applicable law. If warranted by the circumstances, an Eligible Mortgagor shall be considered as both a Mortgagor and a seller with respect to Take-out Loans.
- 14. Mortgage Documents.** The closed loan package is to be submitted as stated in the Step Up Procedural Manual.
- 15. Purchase and Servicing of Mortgage Loans.** Each Originator will sell the Qualified Mortgage Loans which it originates to the Authority. Mortgage Loans purchased by the Authority will be purchased based on a sliding scale in an amount equal to between 1.50% to 2.00% of the principal amount of the Mortgage Loans in the case of FHA-insured and Rural Development Guaranteed Mortgage Loans, and 1.00% to 1.50% in the case of Conventional Loans, plus in each case, accrued interest to the date of purchase. The Authority will establish a schedule for the submission and purchase of Mortgage Loans which will permit Mortgage Loans to be sold to the Authority.

All closed Mortgage Loan submission packages must be delivered to the Authority within 10 calendar days of closing for funding purposes. Penalties will be imposed for loans received after the 10-day funding period. Certain fees will be deducted from the funding; however, the Originator may collect these fees at closing in accordance with the Step Up Procedural Manual. **Closed loans not delivered within 10 days of expiration of the reservation or closing date, whichever comes first may not be purchased.**

Notice must be given to the Eligible Mortgagor at the time of loan closing that the loan servicing duties will be transferred to the Authority. The Authority will service all mortgage purchased loans under the name ServiSolutions.

- 16. Buydowns.** Buydowns are permitted under the Program, but only with written authorization from the Authority.
- 17. Down Payment Assistance.** This program provides down payment and entry cost assistance to homebuyers with low to moderate incomes. This program is to be used in conjunction with the Step Up Program only. All homebuyers must meet the qualifications stated on the Down Payment Assistance Application. The maximum down payment assistance available to a home buyer is (a) FHA—lesser of \$7,500 or 3% of the sales price or 100% of the minimum cash requirement as defined on the Mortgage Credit Analysis Worksheet, (b) Rural Development—lesser of \$7,500 or 3% of the sales price or 100% of the sales contract cash requirement, (c) conventional loans—lesser of \$7,500 or 3% of the sales price or 100% of the minimum cash requirement. This program will be available in conjunction with homes financed under FHA 203(b), RD Guaranty loans or Fannie Mae loan products. This program can not be used in conjunction with any other down payment assistance program or grant program without prior approval from the Authority. All FHA, RD, and Fannie Mae guidelines must also be met. A second mortgage will be recorded against the property being purchased. The term of the second mortgage will run 10 years. The second mortgage will bear interest at the first mortgage note rate. The second mortgage will be repaid on a monthly basis and amortized over the 10 year term. Full repayment will be required upon sale of the property, refinance of the first mortgage, and/ or payoff of the first mortgage. An Originator may not charge any additional fees in conjunction with the program. The recording costs of the second mortgage loan are to be borne by the borrower or seller. Originator will sell the second mortgage loan (Down Payment Assistance) which it originates to the Authority. The price to be paid by the Authority will be the amount equal to 100% of the principal amount of the second mortgage, plus per diem interest in accordance with the Loan Delivery section of the Step Up Procedural Manual. The Authority will act as servicer on both the first and second mortgages. The Down Payment Assistance second mortgage is not assumable. The Authority may, in its sole discretion, waive or modify any or all of the foregoing requirements.

Additionally, the Originators may be required to act as agent for the Authority to disclose information as required by the Code to Eligible Mortgagors.

ORIGINATORS ARE REMINDED THAT THESE PROGRAM GUIDELINES ARE A BRIEF DESCRIPTION OF THE PROGRAM. ORIGINATORS ARE REFERRED TO THE AGREEMENT AND THE STEP UP PROCEDURAL MANUAL FOR A FULL DESCRIPTION OF THEIR RIGHTS, DUTIES AND OBLIGATIONS UNDER THE PROGRAM. ORIGINATORS ARE FURTHER REMINDED THAT THE AUTHORITY RESERVES THE RIGHT TO MODIFY THE TERMS AND PROVISIONS OF THESE PROGRAM GUIDELINES AND/OR THE AGREEMENT AND/OR ANY OTHER PROGRAM DOCUMENT AT ANY TIME.

ORINATION AND SALE AGREEMENT

Dated as of
June 21, 2013
Relating to

**Alabama Housing Finance Authority
Step Up**

TABLE OF CONTENTS

Preamble 1

**ARTICLE I
DEFINITIONS**

..... 1

**ARTICLE II
REPRESENTATIONS**

Section 2.1 Representations, Warranties and Covenants of the Authority 8
Section 2.2 Representations, Warranties and Covenants of the Originators..... 8
Section 2.3 Representations, Warranties and Covenants of Originators Relating to Mortgage Loans..... 10

**ARTICLE III
ORIGINATOR’S PARTICIPATION IN THE PROGRAM**

Section 3.1 Acceptance 12
Section 3.2 Reservation Procedures..... 12
Section 3.3 Participation Fees 12

**ARTICLE IV
ORIGINATION AND CLOSING OF MORTGAGE LOANS**

Section 4.1 Agreement to Originate Mortgage Loans..... 12
Section 4.2 Terms of Commitments and Origination 12
Section 4.3 Transfers of Reservations of Funds..... 13
Section 4.4 Mortgage Loan Terms, Fees and Charges..... 13
Section 4.5 Prohibition of Discrimination..... 13
Section 4.6 Mortgage Loan Submission and Purchase..... 14
Section 4.7 Maintenance of Mortgage Loan File..... 15
Section 4.8 Defects and Non-Submission..... 15
Section 4.9 Reallocation of Funds from Repurchase..... 16
Section 4.10 Extension of Commitment Period and Origination Period 16
Section 4.11 Disclosure of Purchase of Mortgage Loan and Third-Party Servicing..... 16

**ARTICLE V
DUTIES OF THE AUTHORITY**

Section 5.1 Availability of Funds..... 16
Section 5.2 Issuance of Notices 16
Section 5.3 Review of Originators Performance..... 16
Section 5.4 Assignment of Duties of Authority 16
Section 5.5 Execution of Documents..... 17
Section 5.6 Consultation Concerning Agreement and Program Guidelines 17

Section 5.7	Review of Mortgage Loans Prior to Purchase.....	17
Section 5.8	Limited Liability.....	17

**ARTICLE VI
TERMINATION AND LIABILITIES**

Section 6.1	Originators Not to Resign	17
Section 6.2	Involuntary Termination of Originators.....	17
Section 6.3	Excused Nonperformance	18
Section 6.4	Access to Records and Agreement to Pay Attorneys Fees	18
Section 6.5	No Liability for Removal of Originator	18

**ARTICLE VII
MISCELLANEOUS PROVISIONS**

Section 7.1	Amendments, Changes and Modifications.....	18
Section 7.2	Recordation of Agreement	18
Section 7.4	Governing Law	19
Section 7.5	Notices	19
Section 7.6	Severability	19
Section 7.7	Further Assurances and Corrective Instruments	19
Section 7.8	Term of Agreement	19
Section 7.9	No Rights Conferred on Others	19
Section 7.10	Limitation on Liability of Parties.....	19
Section 7.11	Limitation on Liability of Directors, Officers, Employees and Agent of a Party.....	19
Section 7.12	Incorporation by Reference.....	19
Section 7.13	Survival of Obligations and Covenants	19
Section 7.14	Counterparts	19
Section 7.15	Headings.....	19
Section 7.16	Gender.....	19
Section 7.17	Forms and Reports	20
Section 7.19	Limitation of Liability.....	20
Authority Execution Page		21
Originator Execution Page		22

ORIGINATION AND SALE AGREEMENT

THIS ORIGINATION AND SALE AGREEMENT (the "Agreement"), dated as of June 21, 2013, among the lending institutions executing this Agreement as originators of mortgage loans (the "Originators") and **ALABAMA HOUSING FINANCE AUTHORITY** (the "Authority"), a public corporation and instrumentality of the State of Alabama organized pursuant to Chapter 1A of Title 24 of the Code of Alabama, as it may be amended from time to time (the "Act").

WITNESSETH:

WHEREAS, pursuant to the Constitution and Laws of the State of Alabama, particularly the Act, the Authority is authorized, in furtherance of the purposes described in the Act, to finance safe and sanitary owner-occupied, single-family dwelling units for low- and moderate-income families (referred to as the "Residences" and more specifically defined in Article I) by purchasing mortgage loans (as defined in the Act) and by entering into any agreements made in connection therewith; and

WHEREAS, the Ginnie Mae Certificates, and the Fannie Mae Certificates (collectively, the "Mortgage Certificates") so purchased will be backed by mortgage loans made to finance the purchase of single family residences within the State for use as the permanent residence by persons or families of low or moderate income (the "Mortgage Loans"), which Mortgage Loans are to be originated pursuant to this Agreement; and

WHEREAS, the Originators will originate and fund Qualified Mortgage Loans which will be purchased by the Authority without recourse (subject, however, to the provisions of Article II and Section 4.8 hereof); and

WHEREAS, the Authority will service all Qualified Mortgage Loans;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements herein set forth, the Originators and the Authority each agree as follows:

ARTICLE I DEFINITIONS

All words and phrases defined in this Article I (except as herein otherwise expressly provided or unless the context otherwise requires) shall have the respective meanings specified in this Article I for all purposes of this Agreement.

"Act" means Chapter 1A of Title 24 of the Code of Alabama, as it may be amended from time to time.

"Agreement" means this Origination and Sale Agreement among the Originators and the Authority, and all amendments or supplements hereto and where appropriate, the Invitation, the Notices of Acceptance and all forms or reports prescribed by the Authority as provided herein.

"Appraisal" means an appraisal of a Residence conducted in accordance with generally accepted standards by a Qualified Appraiser.

"Assignment of Mortgage Note and Mortgage" means the assignment to the Authority of all of the right, title and interest in a Mortgage Note and Mortgage, in the form prescribed from time to time by the Authority, to be executed by an Originator.

"Authority" means the Alabama Housing Finance Authority, a public corporation and instrumentality of the State organized pursuant to the Act, or any successor to its duties under this Agreement.

“Business Day” means any day of the week other than Saturday, Sunday or a day which shall be in the State a legal holiday or a day on which banking institutions are authorized or obligated by Law or executive order to close.

“Certificate of Hazard Insurance” means the certificate in the form prescribed from time to time by the Authority, to be submitted by an Originator with each Mortgage.

“Closing” means the execution and delivery of a Mortgage Note and Mortgage by an Eligible Mortgagor and the concurrent origination and funding of a Mortgage Loan by an Originator pursuant to Section 4.4 of this Agreement.

“Closing Date” means the date of any Closing.

“Commencement Date” means the date to be designated to the Originators by the Authority, beginning on which the Authority will accept requests for Reservations of Funds.

“Commitment” means a binding written commitment by an Originator, in the form customarily used by the Originator in its owner-occupied home lending practice or in a form customarily used in the mortgage lending industry or as may be prescribed from time to time by the Authority, to a particular Eligible Mortgagor to finance the purchase of a particular Residence with a Mortgage Loan, which commitment shall be for a stated period of time, for a stated amount, and for the stated interest rate established for the Program and communicated to the Originator by the Authority.

“Commitment Fee” means a fee in an amount equal to three quarters of one percent (.75%) of the related Mortgage Loan for a thirty (30) day loan reservation or a fee in an amount of one half of one percent (.50%) on the related Mortgage Loan for a fifteen (15) day loan reservation, to be paid to the Authority by an Originator within seventy-two hours from the confirmation of the reservation of funds.

“Commitment Period” means the period commencing on the Commencement Date and continuing until notified by the Authority.

“Conventional Mortgage Loan” means a Mortgage Loan other than an FHA-Insured Mortgage Loan or a Mortgage Loan with a VA Guaranty or a Rural Development Guaranty.

“Debtor Relief Laws” means any applicable liquidation, conservatorship, bankruptcy, insolvency, rearrangement, moratorium, reorganization, or similar debtor relief laws affecting the rights of creditors generally from time to time in effect in the State or under the Laws of the United States of America.

“Delivery Date” means the ten (10) day period the Originator has to deliver the closed Mortgage Loan in a purchasable condition to the Authority.

“Eligible Loan Area” means the entire geographical area of the State.

“Eligible Mortgagor” means the person(s) intending to purchase and reside in as his/her/their Principal Residence, a Residence to be financed with a Mortgage Loan, whose Family Income does not exceed the amounts described in the Program Guidelines.

“Escrow Payments” means all moneys collected, or required to be collected to obtain or maintain mortgage insurance, fire, flood, extended coverage and other hazard insurance, and for payment of taxes or other governmental or similar charges customarily required to be escrowed with respect to mortgage loans or the mortgaged properties securing such loans. Such Escrow Payments shall be held by the Originator prior to Purchase of the Mortgage Loan.

“Family Income” shall have the meaning given to such term in the Program Guidelines.

“Fannie Mae” means Fannie Mae, a body corporate created and existing under the laws of the United States of America, and any successor thereto.

“Fannie Mae Certificate” means a single-pool, guaranteed mortgage pass-through Fannie Mae Mortgage-backed Security, issued by Fannie Mae in book-entry form, the full and timely payment of principal of and interest on which is guaranteed by Fannie Mae, which evidences a proportional undivided interest in a Pool of Conventional Mortgage Loans, all of which loans provide for monthly payments of principal and interest in substantially equal installments for the contractual term of such loans and are fully amortized over the original term to maturity.

“Fannie Mae Guides” means the Fannie Mae Selling and Servicing Guide, as amended from time to time, as modified by the Pool Purchase Contract.

“FHA” means the Federal Housing Administration of the Department of Housing and Urban Development of the United States of America, or any successor thereto.

“FHA Insurance” means FHA mortgage insurance on residences presently insured under any of the FHA insurance programs pursuant to the National Housing Act of 1934, as amended.

“Ginnie Mae” means the Government National Mortgage Association, a wholly-owned corporate instrumentality of the United States of America within the Department of Housing and Urban Development, whose powers are prescribed generally by Title II of the National Housing Act of 1934, as amended.

“Ginnie Mae Certificate” means a certificate issued by the Authority and guaranteed by Ginnie Mae pursuant to Ginnie Mae’s Ginnie Mae I or Ginnie Mae II mortgage-backed securities program under Section 306(9) and other related provisions of the National Housing Act of 1934, as amended, and based upon and backed by Mortgage Loans referred to in the Ginnie Mae Certificate, which certificate shall unconditionally obligate the Authority to remit monthly to the holder thereof its pro rata share of (x) principal payments and prepayments made in respect of the Pool of Mortgage Loans represented by the Ginnie Mae Certificate and (y) interest received in an amount equal to the Pass-Through Rate. Ginnie Mae shall guarantee to the holder of each Ginnie Mae Certificate such holder’s pro rata share of (i) the timely payment of interest at the applicable Pass-Through Rate on the unpaid principal balance of the Mortgage Loans represented by the Ginnie Mae Certificate and (ii) the timely payment of principal in accordance with the terms of the principal amortization schedule applicable to the Mortgage Loans represented by such Ginnie Mae Certificate. If Ginnie Mae so requires pursuant to its book entry system, in lieu of the aforesaid certificate, the confirmation of Ginnie Mae’s guaranty obligation shall be transmitted to the owner of the Ginnie Mae Certificate.

“Ginnie Mae Commitment” means a Commitment or Commitments to Guarantee Mortgage-Backed Securities (HUD Form 11704) from GINNIE MAE to the Authority.

“Ginnie Mae Guide” means the Ginnie Mae I and/or Ginnie Mae II Mortgage-Backed Securities Guides, Ginnie Mae Handbook Section 6500.1 or 5500.2, respectively, as amended from time to time.

“Guaranty Agreement” means the guaranty agreement between the Authority and Ginnie Mae hereafter in effect pursuant to which Ginnie Mae will agree to guarantee the Ginnie Mae Certificates issued by the Authority, and the functionally equivalent documents with respect to Fannie Mae pursuant to which Fannie Mae has agreed to guarantee Fannie Mae Certificates, respectively.

“Insurance Proceeds” means payments received with respect to the Mortgage Loans under any insurance policy required to be maintained hereunder.

“Invitation” means and includes the Invitation to Participate and the Program Guidelines pertaining to the Program, as all or any part of them may be supplemented and amended from time to time, sent to lending institutions by the Authority.

“Laws” means all applicable statutes, laws, ordinances, regulations, orders, writs, injunctions, or decrees of the United States or any agency thereof and of any state or political subdivision or agency thereof and of any court of competent jurisdiction.

“Liquidation Proceeds” means amounts (other than Insurance Proceeds) received in connection with the liquidation of defaulted Mortgage Loans, whether through trustee’s sale, foreclosure sale, condemnation, taking under power of eminent domain, conveyance in lieu of foreclosure or condemnation, or otherwise.

“Loan Origination Fee” means a fee, not to exceed one percent (1.00%) of the principal amount of the Mortgage Loan, which may be collected by an Originator from the Mortgagor, the seller or any other interested person pursuant to Section 4.4 hereof. The 1% Loan Origination Fee is to compensate the Originator for costs of the origination of the Mortgage Loan in accordance with all special requirements of the Program and federal law, but shall not be considered earned unless and until the Mortgage Loan is closed.

“Maximum Family Income” means an amount of income not to exceed the income limitation described in Paragraph (5a) of the Program Guidelines.

“Mortgage” means the instrument securing a Mortgage Loan which creates a first lien on a Residence subject only to Permitted Encumbrances, and which shall be in the form of the FHA Form No. 496 FHA Alabama Mortgage with MERS, with such additions or modifications as required under the Code of the Guidelines and / or prescribed by the Authority.

“Mortgage Certificate” means a Ginnie Mae or Fannie Mae Certificate.

“Mortgage Documents” means the documents required in paragraph (14) of the Program Guidelines and Section VIII of the Step Up Manual, pertaining to a particular Mortgage Loan.

“Mortgage File Guide” means the guide for preparation of the file submitted in connection with each Mortgage Loan pursuant to Section 4.6 hereof.

“Mortgage Loan” means any loan evidenced by a Mortgage Note which is secured by the related Mortgage for financing the purchase by an Eligible Mortgagor of a Residence.

“Mortgage Loan File” means the file with respect to each Mortgage Loan required to be maintained pursuant hereto, including all documents necessary for inclusion of the Mortgage Loan in a Mortgage Certificate.

“Mortgage Note” means promissory note evidencing the obligation to repay a Mortgage Loan, payable to the order of an Originator, executed by a Mortgagor to evidence such Mortgagor’s obligation to repay the Mortgage Loan which shall be in the form of FHA Multi-State Fixed Rate Note or Standard Fannie Mae Note, with such additions or modifications as required under the Code of the Program Guidelines and/or prescribed by the Authority.

“Mortgagor” means the obligor(s) on a Mortgage Note, and/or a subsequent owner of a Residence who has assumed the Mortgage Loan.

“Notice Address” means until changed pursuant to Section 6.5 hereof:

(a) As to the Authority:

Alabama Housing Finance Authority
7460 Halcyon Pointe Drive, Suite 200
Montgomery, Alabama 36117

Attention: Executive Director

(b) As to an Originator:

At the address set forth on such Originator's execution page with respect to this Agreement.

"Notice of Acceptance" means the Notice of Acceptance sent to the Originators by the Authority.

"Notice of Availability of Funds" means the notice in the form prescribed from time to time by the Authority, sent to the Originators by the Authority pursuant to Section 3.1 hereof.

"Officer" means any duly authorized officer of an Originator involved in, or responsible for, the origination or sale of the Mortgage Loans, whose name appears on a list furnished to the Authority by the Originator or any duly authorized officer of the Authority involved in, or responsible for, the purchase or servicing of the Mortgage Loans, as such list may from time to time be amended.

"Officer's Certification" means the certification on the Mortgage Submission Voucher for each Mortgage Loan executed by an Officer which shall represent the Originator's warranty with respect to all of the terms and conditions hereof and particularly with respect to the representations, warranties and covenants contained in Section 2.3 hereof

"Originator Questionnaire" means the questionnaire and requests for information (if any) sent to prospective Originators by the Authority and the information inserted thereon or appended thereto by such prospective Originators and delivered by them to the Authority, including financial statements and statistical data, in connection with the requests of such lending institutions to participate in the Program.

"Originators" means the lending institutions executing this Agreement as Originators accepted by the Authority to participate as Originators in the Program.

"Pass-Through Rate" means that rate of interest stated on a Mortgage Certificate.

"Permitted Encumbrances" means the title encumbrances on a Residence permitted under the Program Guidelines.

"Pool" means, with respect to a Mortgage Certificate, the pool of Qualified Mortgage Loans the beneficial ownership of which is represented by such Mortgage Certificate.

"Pool Purchase Contracts" means the Pool Purchase Contracts between the Authority and Fannie Mae, relating to the sale by the Authority of Mortgage Loans to Fannie Mae, respectively, and the servicing thereof.

"Prepayments" means payments in excess of the regularly scheduled payments on the Mortgage Loans, including (but not limited to) payments representing: (i) optional prepayment of a Mortgage Loan, (ii) Insurance Proceeds or condemnation awards applied to the prepayment of a Mortgage Loan following a partial or total destruction or condemnation of a Residence, (iii) liquidation proceeds, mortgage insurance or guaranty proceeds or other amounts received with respect to a Mortgage Loan following acceleration thereof upon the occurrence of an event of default thereunder, (iv) a prepayment of a Mortgage Loan required pursuant to applicable rules, regulations, policies and procedures of FHA, RD, or GINNIE MAE or (v) a prepayment of a Mortgage Loan without notice or prepayment penalty while under supervision of a trustee in bankruptcy.

"Principal Residence" means a residence which, in accordance with federal law, in view of all the facts and circumstances of each case, including good faith of the proposed Mortgagor (i) has not been or is not to be used by

the proposed Mortgagor as an investment property or as a recreational home; or (iii) is otherwise deemed a "principal residence" under federal law, including the Code.

"PMI Insurer" means any private mortgage insurance company approved by the Authority, providing Private Mortgage Guaranty on Conventional Mortgage Loans.

"Private Mortgage Guaranty Insurance" means a private mortgage insurance policy issued by a PMI Insurer with respect to a conventional Mortgage Loan in accordance with the terms hereof in a form providing coverage in an amount as shall be approved by Fannie Mae in accordance with the Fannie Mae Guides.

"Program" means the Authority will purchase Mortgage Certificates backed by Qualified Mortgage Loans originated by the Originators.

"Program Guidelines" means and includes the Program Guidelines dated as of TBD, the Step Up Manual, and any revisions, amendments and modifications of any thereof established by the Authority and provided to the Originators, and any other guidelines adopted by the Authority and provided to the Originators

"Purchase" means the purchase of a Qualified Mortgage Loan by the Authority from an Originator pursuant to Section 4.6 of this Agreement. Unless the context otherwise requires, the term "Purchase" includes the purchase of a Mortgage Loan with respect to which, pursuant to Section 4.8 hereof, the Authority subsequently requires the Originator to cure defects or to effect a repurchase.

"Purchase Date" means the day of any Purchase.

"Qualified Appraiser" means an appraiser who is approved by FHA, RD or Fannie Mae.

"Qualified Mortgage Loan" means a Mortgage Loan which has FHA Insurance, RD Guaranty Loan, or is a Conventional Mortgage Loan secured by a Mortgage on a Residence, meeting all requirements of the Program Guidelines and this Agreement and which shall be a level payment, 30-year mortgage.

"Reservation Expiration" means the period of the time from the date of loan reservation plus 15 days requiring a commitment fee of one half of one percent (.50%) of the Mortgage amount or a period of time from the date of loan reservation plus 30 days requiring a commitment fee of three quarters of one percent (.75%) of the Mortgage amount.

"Reservation of Funds" means a reservation by the Authority, granted and evidenced as provided in the Reservation Procedures, of funds under the Program for the purchase of a particular Qualified Mortgage Loan.

"Reservation Procedures" means the procedures described in the Step Up Manual, as the same may be amended from time to time by the Authority by which Originators may reserve funds for the Purchase of a Mortgage Loan.

"Residence" means a residential dwelling unit located within the Eligible Loan Area, occupied or to be occupied within a reasonable period of time (which shall not exceed 60 days) after the Closing by a single family as the Principal Residence of the Mortgagor.

"Revenues" means all moneys received by the Authority representing principal and interest payments on Mortgage Loans, including Prepayments, prepayment penalties, if any, Insurance Proceeds, Liquidation Proceeds, and other proceeds of any Mortgage Loans, net of Servicing Fees.

"Rural Development"(RD) means the U.S. Department of Agriculture Rural Development, an agency of the United States of America, which was formerly known as the Farmers Home Administration, an agency of the United States of America.

“Rural Development Guaranty” means a guaranty of a Mortgage Loan by the Rural Development under the provisions of Subchapter m, Chapter 8A, Title 42, United States Code Annotated.

“Servicing Release Premium” means the fee included within the Purchase Price as compensation to the Originator for release of the right to service the Mortgage Loan, which shall be based on a sliding scale in an amount equal to 1.50% to 2.00% of the principle amount of the Mortgage Loan on those with FHA Insurance, Rural Development Guaranty or 1.00% to 1.50% of the principle amount of the Conventional Mortgage Loans purchased by the Authority.

“State” means the State of Alabama.

“Step Up Manual” means the Authority’s “Step Up Procedural Manual,” dated TBD, as the same may be amended or revised from time to time.

“Supplemental Acquisition Fund” means the fund so designated and created pursuant to the Indenture.

“Take-Out Loan” means any Mortgage Loan made for the purpose of paying a construction period loan, bridge loan or similar temporary initial financing which qualifies as such pursuant to the Program Guidelines and which shall be deemed to be a Mortgage Loan to finance the purchase of a Residence.

“Title Policy” means a mortgagee guaranty title insurance policy issued by a company qualified to insure title in the State in form approved by the Authority in an amount equal to the original principal amount of the Mortgage Loan, issued as of the Closing of such Mortgage Loan and insuring the Originator and its successors and assigns, that the Mortgage securing the Mortgage Loan constitutes a valid first lien on the fee simple title to or leasehold on the Residence, subject only to Permitted Encumbrances.

ARTICLE II REPRESENTATIONS

Section 2.1 **Representations, Warranties and Covenants of the Authority.** The Authority represents and warrants to, and covenants with, the Originators that:

- (a) The Authority is a public corporation and instrumentality of the State, duly organized and validly existing under the Act and the Laws of the State. With regard to the Program, and its operations pursuant hereto, the Authority is in compliance with all of the provisions of the Constitution and Laws of the State, including the Act, and has full power and authority to consummate all transactions, execute all documents, and issue all instruments contemplated by this Agreement.
- (b) The Authority has found and determined that the purchase of the Mortgage Certificates under the terms of this Agreement to finance the purchase by Eligible Mortgagors of Residences will further the purposes of the Act and will be in the public interest.
- (c) The execution and delivery of this Agreement by the Authority and the performance of and compliance with the terms of this Agreement by the Authority will not violate (i) the Act, (ii) the Authority’s rules and regulations, or the instruments governing its operations in any respect, or (iii) any Laws in any respect which could have any material adverse effect whatsoever upon the validity, performance or enforceability of any of the terms of this Agreement.
- (d) This Agreement, when executed and delivered by the Authority, will constitute a valid, legal and binding obligation of the Authority, enforceable in accordance with its terms, except as the enforcement thereof may be limited by applicable Debtor Relief Laws.

Section 2.2 **Representations, Warranties and Covenants of the Originators.** Each Originator represents and warrants to, and covenants with, the Authority that:

- (a) It is duly organized, validly existing, and in good standing under the Laws governing its creation and existence and is duly authorized and qualified to transact in the State any and all business contemplated by this Agreement and possesses all requisite authority, power, licenses, permits and franchises to conduct its business and to execute, deliver and comply with its obligations under the terms of this Agreement, the execution, delivery and performance of which have been duly authorized by all necessary action.
- (b) The execution and delivery of this Agreement by the Originator in the manner contemplated herein and the performance and compliance with the terms hereof by it will not violate (i) the instruments creating the Originator or governing its operations, or (ii) any Laws which could have any material adverse effect whatsoever upon the validity, performance or enforceability of any of the terms of this Agreement applicable to the Originator, and will not constitute a material default (or an event which, with notice of lapse of time, or both, would constitute a material default) under, or result in the breach of, any material contract, agreement or other instrument to which the Originator is a party or which may be applicable to it or any of its assets.
- (c) The execution and delivery of this Agreement by the Originator in the manner contemplated herein and the performance and compliance with the terms hereof by it do not require the consent or approval of any governmental authority or, if such consent or approval is required, it has been obtained.
- (d) This Agreement, and all documents and instruments contemplated hereby, which are executed and delivered by the Originator, will constitute valid, legal and binding obligations of the Originator, enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by applicable Debtor Relief Laws.
- (e) It will be, at the time of origination of any Mortgage Loan, an approved I, II, III or IV Originator, as described in the Program Guidelines
- (f) It will comply with the following laws, rules, requirements, and publications as now in effect and as may hereafter be amended and supplemented: (i) as to each Mortgage Loan having FHA Insurance, with the National Housing Act of 1934, as amended and supplemented, all rules and regulations issued thereunder and all administrative publications of FHA; (ii) as to each Mortgage Loan having a Rural Development Guaranty, with the provisions of Subchapter m, Chapter 8A, Title 42, U.S.C.A.; (iii) as to each Mortgage Loan to be included in a Pool represented by a Ginnie Mae Certificate, with all the requirements of, and the "Representations and Warranties of Lenders" set forth in, the Ginnie Mae Guide; and (iv) as to each Mortgage Loan to be included in a Pool represented by a Fannie Mae Certificate, with all requirements set forth in the Fannie Mae Guide.
- (g) It will comply with any and all laws governing the origination of Mortgage Loans, including the nondiscrimination provisions of the Civil Rights Act of 1964 (78 Stat. 252), the regulations pursuant to such Act, and Executive Order 11246, Equal Employment Opportunity, dated September 4, 1965.
- (h) From time to time it will report, as more fully set forth in this Agreement, information relating to the Mortgage Loans to the Authority and such other persons as may from time to time be designated by the Authority, and will do every act and thing which may be necessary or required to perform its duties under this Agreement.
- (i) In connection with the transactions contemplated by this Agreement, it has not directly or indirectly contracted or entered into any agreement with any other Originator or any other person or institution

(except the Authority) with respect to any aspect of its participation in the Program, other than any agreement expressly authorized by this Agreement.

- (j) It agrees that so long as it shall continue to serve in the capacity contemplated under the terms of this Agreement it will remain in good standing under the Laws governing its creation and existence and qualified under the Laws of the State to do business in the State, will not dissolve or otherwise dispose of all or substantially all of its assets and will not voluntarily consolidate with or merge into any other entity or permit one or more other entities to consolidate with or merge into it; provided, however, that it may, without violating the covenant set forth in this subsection, consolidate with or merge into another entity all or substantially all of its assets as an entirety and thereafter dissolve, if the surviving, resulting or transferee entity, as the case may be, shall have a net worth equal to or greater than the net worth of the Originator immediately preceding any such merger, consolidation or sale of assets, shall be qualified under the Laws of the State to do business in the State, shall be qualified under the Laws and have all necessary approvals required of the Originator under Section 2.2(e) hereof to perform the Originator's duties under this Agreement, shall not then be in default of any of its obligations under any agreement between it and the Authority relating to the Program or any prior program of the Authority, and shall assume in writing all of the obligations of the Originator under this Agreement, in which event the Authority shall release the Originator in writing, concurrently with and contingent upon such assumption, from all obligations so assumed.
- (k) No information, certificate of an Officer, statement furnished in writing, Originator Questionnaire, or report required hereunder, delivered to the Authority or any other person as may from time to time be designated by the Authority to receive same, to the knowledge of the Originator delivering same, contained, contains, or will contain any untrue statement of a material fact or omit a material fact necessary to make the information, certificate, statement or report not misleading.
- (l) It meets all of the eligibility criteria as specified in the Invitation.
- (m) It will indemnify and hold harmless the Authority and their officers, directors, employees and agents against liability for all claims, causes of action, costs and expenses (including attorney's fees), judgments, fines, damages and penalties that may be related to or arise out of any negligent act or omission of the Originator hereunder or any violation of law resulting from an act or omission of the Originator hereunder. The provision shall survive the termination of this agreement.

Section 2.3 Representations, Warranties and Covenants of Originators Relating to Mortgage Loans. With respect to each Mortgage Loan submitted for purchase under Article IV hereof, the Originator represents and warrants to, and covenants with, the Authority, as of the Purchase Date, as follows:

- (a) The information pertaining to the subject Mortgage Loan is true and correct as of the date thereof and will be true as of the Purchase Date unless the Authority, is notified in writing to the contrary prior to the Purchase Date.
- (b) The Mortgage Loan is secured by a valid first lien on the fee simple title to, or a leasehold estate longer than the term of the Mortgage on, a residential dwelling unit which, to Originator's best knowledge, is (1) located within the Eligible Loan Area, (2) occupied by or to be occupied within a reasonable period of time after the Closing, by the Mortgagor as the Principal Residence of such Mortgagor, (3) intended for occupancy by one family. The Mortgage Loan (i) is made in accordance with the Program Guidelines, (ii) is a Qualified Mortgage Loan under the terms of this Agreement, (iii) is made for the purpose of financing the purchase of the property subject to the related Mortgage and not to acquire or replace any existing mortgages, nor for the purpose of refinancing any existing indebtedness (except in the case of a Take-Out Loan) on any such property, (iv) is for a term of years permitted under this Agreement, (v) to Originator's best knowledge, is made to a Mortgagor whose Family Income is within the limits specified in the Program Guidelines.

- (c) The Originator has complied: (i) as to each Mortgage Loan insured by FHA, with the National Housing Act of 1934, as amended and supplemented, all rules and regulations issued thereunder and all administrative publications of FHA, and such FHA Insurance is in full force and effect and will, upon Purchase of the Mortgage Loan, inure to the benefit of the Authority as its interests may appear; (ii) as to each Mortgage Loan having a Rural Development Guaranty, with the provisions of Subchapter III, Chapter 8A, Title 42, U.S.C.A.; (iii) with respect to each Mortgage Loan to be included in a Pool represented by a Ginnie Mae Certificate, with the requirements of, and the "Representations and Warranties of lenders" set forth in the Ginnie Mae Guide; (iv) as to each Mortgage Loan which is to be included in a Pool represented by a Fannie Mae Certificate, with all requirements of the Fannie Mae Guide (v) as to each Conventional Mortgage Insurance (if any) applicable to such Mortgage Loan is in full force and effect and will, upon purchase of the Mortgage Loan inure to the benefit of the Authority, as their interest may appear; and (vi) with all Laws governing the origination of Mortgage Loans.
- (d) The Mortgage Loan will be secured by a valid first lien in favor of the Originator (which will be assigned to the Authority) on the fee simple title to, or a leasehold estate longer than the term of the Mortgage on, the property financed by the Mortgage Loan, subject only to the lien of current real property taxes and assessments, and covenants, conditions and restrictions, rights of way, easements and other matters of public record as of the date of recording of the related Mortgage, which are Permitted Encumbrances. The improvements on the property covered by the Mortgage Loan have been fully completed and the property subject to the Mortgage is free and clear of all mechanic's and materialmen's liens, or liens in the nature thereof, no rights are outstanding that could give rise to such liens, and the property subject to the Mortgage is free from all other liens, encumbrances, restrictions and covenants which would materially and adversely affect the value of such property or its use as a Residence. If the Mortgage Loan was made to finance the purchase of a newly constructed Residence, said Residence was, to the best knowledge of Originator, constructed in accordance with all applicable building codes and standards and the builder has warranted all materials, workmanship, and mechanicals for a minimum period of one year.
- (e) The improvements upon the real property subject to the Mortgage Loan are covered by a valid and subsisting standard hazard insurance policy, as required by this Agreement, with one year's premium prepaid at the time of Closing and an endorsement naming the Authority as mortgagee.
- (f) The terms, covenants and conditions of the Mortgage Loan have not been, and will not be as of the Purchase Date, waived, altered, impaired or modified in any respect which materially affects the value, validity, enforceability, prompt payment of the Mortgage Loan, or the security of the lien securing the Mortgage Loan, except for such waivers, alterations and the like accomplished by Originator prior to the Purchase Date and disclosed to and approved in writing by the Authority.
- (g) There is no default or delinquency under the terms and covenants of the Mortgage Loan; no payments are more than 30 days past due and unpaid under the Mortgage Loan; all costs, fees and expenses incurred in making, closing and recording the Mortgage Loan have been paid; and within the period preceding the submission of the Mortgage Loan by the Originator for Purchase by the Authority, there has not been outstanding any advance of funds by the Originator, to or on behalf of the Mortgagor to be used by the Mortgagor for the payment of any monthly installment, principal, interest, or other charges payable under the Mortgage Loan.
- (h) There are no delinquent tax liens or delinquent assessment liens against the property financed by the Mortgage Loan.
- (i) The Originator has not done any act or omitted to do any act which creates or would create an offset, defense or counterclaim to the Mortgage Loan, including the obligation of the Mortgagor to pay the unpaid principal of and interest on the Mortgage Loan.

- (j) There is pending no proceeding for a total or partial condemnation of the physical property financed by the Mortgage Loan and based upon an inspection made by or on behalf of the Originator in connection with making the Mortgage Loan, said property is free of material damage and shall be in general good repair on the Purchase Date. The Originator has no knowledge that any improvement covered by the Mortgage Loan is in violation of any applicable zoning law or land use regulation or any valid restrictive or protective covenant or setback line.
- (k) The Mortgage Loan, at the time it was made, conformed to all disclosures required to be made by the Real Estate Settlement Procedures Act and the Federal Truth-in-Lending Act or any similar applicable federal or state Law. All closing and settlement costs and all other charges in connection with the Mortgage Loan, paid or borne by the Mortgagor and by the seller of the property securing the Mortgage Loan, have been disclosed to such parties and have been clearly itemized, identified and explained in detail (with the party paying or bearing each such items of cost or other charge clearly indicated) on a closing or settlement statement, a signed copy of which was furnished on or before Closing or settlement to such Mortgagor and seller.
- (l) The Mortgage has been registered in MERS by the Originator in the proper public office in order to give constructive notice thereof to all subsequent purchasers or encumbrances of the property financed by such Mortgage Loan.
- (m) The Mortgage Loan at the time of Closing and at the time of Purchase is in compliance with applicable usury laws.
- (n) Immediately prior to the transfer and assignment of the Mortgage Note and related Mortgage, the Originator has good title to, and is the sole owner of, such Mortgage Loan and there is not now nor has there been any other sale or assignment thereof, except an assignment for security purposes in connection with a mortgage warehousing financing arrangement.
- (o) To the best knowledge of the Originator, the Mortgagor has not conveyed such mortgagor's right, title or interest to or in the property subject to the Mortgage to any party.
- (p) The Program Participation Fee charged and held or retained by the Originator is in compliance with this Agreement and the stated interest rate for the Mortgage Loan is the rate specified by the Authority.
- (q) The Originator has no knowledge of any circumstances or conditions with respect to the Mortgage Loan, the Mortgage, the property subject to the Mortgage, or the Mortgagor or his credit standing that can be reasonably expected to cause prudent private investors in the secondary market to regard the Mortgage Loan as an unacceptable investment, cause the Mortgage Loan to become delinquent, or adversely affect the value or marketability of the Mortgage Loan, except with respect to the relationship of the interest rate on the Mortgage Loan to the current market.
- (r) The representations, warranties and covenants of the Originator contained in this Agreement were, as of the Closing Date, and will be as of the Purchase Date, true and correct.
- (s) At the time of Closing, there will have been executed and in possession of Originator one each of the various affidavits and certificates included as appendices to the Program Guidelines, and Step Up Manual as applicable, as well as any other such affidavit or certificate or similar document deemed necessary by the Authority and a form of which has been provided to Originator.
- (t) Prior to the Purchase of the Mortgage Loan by the Authority, said Mortgage Loan will have been reviewed by and certified by the Authority as a Qualified Mortgage Loan.

**ARTICLE III
ORIGINATOR'S PARTICIPATION IN THE PROGRAM**

Section 3.1 **Acceptance.** Each of the institutions executing this Agreement as an Originator has been accepted by the Authority to serve as an Originator for Mortgage Loans under the Program. Each Originator agrees to use its best efforts to originate Qualified First and Second Mortgage Loans in accordance with this Agreement and the Program Guidelines and agrees to sell such Qualified Mortgage Loans to the Authority on the terms described in Section 4.6 hereof. The sale of a Qualified Mortgage Loan by an Originator shall include an assignment to the purchaser thereof of all rights and obligations relating to servicing such Qualified Mortgage Loan.

Section 3.2 **Reservation Procedures.** Each Originator agrees that prior to issuing a Commitment for a Mortgage Loan to an Eligible Mortgagor for the purchase of a Residence, the Originator shall have first received from the Authority a Reservation of Funds with respect to the particular Eligible Mortgagor and the particular Residence. Reservations of Funds shall be granted by the Authority pursuant to the Reservation Procedures, which procedures may be modified from time to time by the Authority.

Section 3.3 **Participation Fees.** All monies paid to the Authority by the Originators in connection with their participation in the Program will be retained on the terms and in the manner specified in the Invitation.

**ARTICLE IV
ORIGINATION AND CLOSING OF MORTGAGE LOANS**

Section 4.1 **Agreement to Originate Mortgage Loans.** Each Originator hereby agrees to use its best efforts during the Origination Period, to originate and fund Qualified Mortgage Loans in an aggregate principal amount equal to the Reservations of Funds requested by such Originator and granted by the Authority, all upon the terms and conditions as set forth in the Invitation, this Agreement and the Program Guidelines. Each Originator hereby agrees to originate and sell Qualified Mortgage Loans in accordance with such specifications.

Section 4.2 **Terms of Origination.** Originators shall originate all Mortgage Loans under the Program in accordance with the Program Guidelines. All Mortgage Loans must be made to finance the acquisition of Residences within the Eligible Loan Area. Originators shall not originate and close a Mortgage Loan prior to receipt of the certification of conditional commitment of such Loan for inclusion in the Program.

Section 4.3 **Transfers of Reservations of Funds.** Reservations of Funds may be transferred from one Mortgagor to another Mortgagor, with the approval of the Authority. Reservations of Funds may be transferred from one Originator to another Originator pursuant to the Transfer of Allocation Form included in the Step Up Manual.

Section 4.4 **Mortgage Loan Terms, Fees and Charges.**

- (a) All Mortgage Loans originated hereunder must be Qualified Mortgage Loans. Each Qualified Mortgage Loan shall provide for payments to be due on the first day of each month and shall bear interest at the rate specified in the Notice of Availability of Funds. Payments of principal shall commence on the first day of the second month following the Closing Date. Interest shall be paid in arrears. At the Closing, an Originator may collect, to the extent permitted by law and by FHA, RD, or Fannie Mae as appropriate, from the seller of a Residence, or from the Mortgagor, and hold or retain in accordance with the Invitation and this Agreement (i) all reasonable and customary charges permitted by law, in amounts, not in excess of those which would otherwise be assessed if charged in connection with a non-Program home mortgage loan, paid or incurred by the Originator for hazard or mortgage insurance premiums, survey, title insurance, appraisal fees, abstract and Attorney's fees, recording or registration charges, escrow fees, credit reports, tax service fees and other similar expenses, and (ii) the Program Participation Fee; provided, however, an Originator may, following the receipt of an application from an Eligible Mortgagor and on or prior to a Closing Date, collect from the Eligible Mortgagor, the seller of a Residence, or other

interested person and hold in trust pending Closing, moneys to pay for the Program Participation Fee, to be applied as a credit, as appropriate, at the Closing. No other fees, charges, discounts or remuneration may be received, held or retained by an Originator in connection with a Closing under the Program unless expressly permitted by the terms of the Program Guidelines or this Agreement. All moneys collected by an Originator from, or paid to an Originator by, an Eligible Mortgagor, any seller of a Residence, or any builder of a Residence, in the nature of a Commitment Fee, will be held and applied in the manner specified in this Section 4.4 and the Program Guidelines. Any riders to a Mortgage Loan or notifications to a Mortgagor required by the provisions of this Agreement, and supplied in original form by the Authority, shall be attached to the respective Mortgage Loans.

- (b) In addition to the requirements set forth in Section 4.4(a) above, each Mortgage Loan shall satisfy the following requirements, as applicable:
 - (i) Each Mortgage Loan to be included in a Pool represented by a Ginnie Mae Certificate pursuant to this Agreement shall be insured by FHA Insurance or Rural Development Guaranty and be made in accordance with the then current underwriting policies of FHA or RD, as applicable. Such insurance or guaranty shall be maintained in full force and effect during all times the Originator owns an interest in such Mortgage Loan and such Mortgage Loan shall be made in compliance with all applicable criteria set forth in the Ginnie Mae Guide, in any event subject to final review by the Authority.
 - (ii) Conventional Mortgage Loans are to be included in Pools represented by Fannie Mae Certificates. Consistent with such direction by the Authority, each Conventional Mortgage Loan shall (if required by the terms of the Program Guidelines) be insured under a policy of Private Mortgage Guaranty Insurance issued by Genworth Mortgage Insurance, such insurance shall be maintained in full force and effect during the times the Originator owns an interest in such Mortgage Loan, and such Mortgage Loan shall be made in compliance with all applicable criteria set forth in the Fannie Mae Guide, in any event subject to final review by the Authority.

Section 4.5 Prohibition of Discrimination. Except as may otherwise be expressly provided in the Program Guidelines, no Originator shall enter into any agreement or arrangement with any person, firm or corporation to prefer any applicant or group of applicants for Mortgage Loans over any other applicant or group of applicants for such loans, and Originators shall consider all applications for Mortgage Loans in the order in which they are received on a "first-come, first-served," fair and equal basis and shall not arbitrarily reject an application because of the location and/or age of the property, or in the case of a proposed Mortgagor, arbitrarily vary the terms of a loan or the application procedures therefor or reject a Mortgage Loan applicant because of race, color, religion, national origin, age or sex of such applicant. In accepting, evaluating and acting upon such applications, each Originator shall comply, if applicable, with the Federal Equal Credit Opportunity Act and Regulation B promulgated thereunder. All applications for Mortgage Loans and evidence of actions taken with respect thereto shall be retained by the Originators for twenty-five (25) months from the date of application.

Section 4.6 Mortgage Loan Submission and Purchase.

- (a) Qualified Mortgage Loans are to be sold by the Originators to the Authority. Each Originator agrees to sell the Qualified Mortgage Loans which it has originated and funded under the Program to the Authority as so directed.
- (b) After the Closing Date and during the Origination Period, each Originator shall deliver to the Authority the Mortgage Documents pertaining to each Mortgage Loan which is to be sold by the Originator to the Authority. The Originator shall pay all costs of preparing and furnishing to the Authority the Mortgage Documents and the Mortgage Loan File. The Mortgage Documents with respect to each Mortgage Loan shall be reviewed by the Authority prior to the Purchase of such Mortgage Loan by Authority. Any Mortgage Loan with respect to which the Mortgage Documents are deemed to be defective may be returned by the Authority, with all instruments submitted in accordance with this Section, to the

Originator to be cured, if possible. To be included in the Program, such Mortgage Loan must be resubmitted in accordance with the procedures of this Section and must constitute a Qualified Mortgage Loan. The examination of a Mortgage Loan by the Authority hereunder or by any party shall not constitute a waiver of any warranty, representation or covenant by the Originator or the Mortgagor with respect to the Mortgage Loan.

- (c) The Authority shall be obligated to Purchase any and all Qualified Mortgage Loans submitted to it for Purchase by the Originators and approved for purchase by the Authority under the terms of this Agreement. Only Qualified Mortgage Loans submitted in accordance with this Section 4.6 and which conform to the requirements of the Invitation and this Agreement shall be purchased. The Authority shall retain the right not purchase any Mortgage Loan if the Purchase Date is more than thirty (30) days after the Closing Date of the Mortgage Loan in the absence of written authorization of the Authority. Any and all amounts representing Escrow Payments collected by an Originator with respect to a Mortgage Loan being purchased pursuant hereto shall be paid over by such Originator to the Authority, to be held in an account which shall conform to the escrow requirements of FHA, RD, or Fannie Mae as applicable. Upon the Purchase of each Qualified Mortgage Loan, the Authority shall deliver to the Originator the appropriate Servicing Release Premium for the Mortgage Loans. Prior to the Purchase of a Mortgage Loan or the inclusion thereof in a Pool, the Authority shall record or file for record the Mortgage Documents (or ensure the recordation or filing thereon for such Mortgage Loan in all offices necessary to perfect the lien of the Mortgage under the laws of the State and submit same, with proper recordation notation, with the Mortgage Loan File. All notices to insurers under any insurance policies maintained with respect to a Mortgage Loan under this Agreement which are required to be given for mortgages insured by FHA, guaranteed by RD, or a PMI Insurer shall be given by the Originator. The Originator shall submit the complete Mortgage Loan File within 10 days from the closing date prepared in accordance with the Mortgage Submission Voucher, Step 3 and containing the documents specified therein.
- (d) The Authority has determined that it will be the purchaser of Qualified Mortgage Loans as provided in Section 4.6(a) above, Qualified Mortgage Loans shall be formed into Pools for the issuance of the Mortgage Certificates.

Section 4.7 Maintenance of Mortgage Loan File. Each Originator shall maintain a Mortgage Loan File, containing copies of all Mortgage Documents and such other documents specified from time to time by the Authority, with respect to each Mortgage Loan originated by the Originator and sold to the Authority until at least three (3) years after the date the Mortgage Loan is Purchased.

Section 4.8 Defects and Non-Submission. Following the Purchase of any Mortgage Loan by the Authority, and notwithstanding the review of the Mortgage Documents prior to Purchase pursuant to Section 4.6, if the Originator does not submit the completed Mortgage Loan File to the Authority within one hundred twenty (120) days from the Purchase Date, the Originator shall, at the option of the Authority, repurchase the Mortgage Loan at a price equal to the amount specified in (i), (ii) and (iii) below. If any documents constituting a part of the Mortgage Loan File for the Mortgage Loan are, notwithstanding the review of the Mortgage Documents prior to Purchase pursuant to Section 4.6, in the judgment of the Authority, defective or inaccurate in any material respect, or any representation or warranty of the Originator or any party in connection with the Mortgage Loan is, in the judgment of the Authority, untrue as to any material matter, or if the Mortgage Loan fails to qualify for inclusion in a Pool or is otherwise not a Qualified Mortgage Loan, the Originator shall cure the defect within a period of sixty (60) days from the time it receives notice of the existence of the defect or inaccuracy or that such Mortgage Loan is not a Qualified Mortgage Loan or such shorter period as may be required by law. Each Originator hereby agrees that, if any material defect or inaccuracy cannot be cured within such sixty (60) day period, or such shorter period if applicable, or if the Mortgage Loan fails to qualify for inclusion in a Pool or is otherwise not a Qualified Mortgage Loan within such sixty (60) day period, or such shorter period if applicable, (a) it will, not later than ninety (90) days after notice to it respecting such defect or inaccuracy as to a Mortgage Loan with an outstanding principal balance, repurchase the related Mortgage Loan from the Authority at a price equal to (i) the outstanding principal balance of such Mortgage Loan plus (ii) any accrued and unpaid interest at the annual rate borne by the Mortgage Note to

the date of repurchase, plus (iii) any Servicing Release Fees or other earned fees paid to the Originator (iv) any other funds advanced by the Authority for down payment assistance, etc., and (b) in all cases, whether or not the Mortgage Loan has been repaid or otherwise satisfied, it will indemnify and hold harmless the Authority, its directors, officers, employees and agents, and their respective successors and assigns, for any loans, forfeitures, penalties, damages or expenses (including reasonable attorney's fees) incurred by them with respect to the defective Mortgage Loan; provided, however, that for the purpose of this Section 4.8, the falsity of a representation by a Mortgagor respecting some fact or facts which (a) the Originator is entitled to rely upon under the provisions of this Agreement, and (b) is of such nature that although false, security for any payment of the pertinent Mortgage Loan is not thereby adversely affected, and (c) is relied upon by the Originator in good faith and without notice of the falsity, shall not be deemed a material defect or inaccuracy. The purchase price of the Mortgage Loan being repurchased shall be remitted by Originator to the Authority with notice to the Administrator of the amount of such remittance and the Mortgage Loan concerned and, upon receipt by the Authority of written notification of compliance with all of the terms of this Section by such Originator from the Administrator, the Authority shall assign and deliver the related Mortgage Documents to the Originator. The Authority is authorized to execute and deliver such instruments of transfer or assignment, in each case without recourse, as shall be necessary to vest in the Originator such repurchased Mortgage Loan. In addition to any other remedy provided for in this Agreement, where, in the sole judgment of the Authority, the Originator fails to submit to the Servicer or the Authority the required final documentation for inclusion of a Mortgage Loan in a Ginnie Mae or Fannie Mae Pool within 120 days of the closing date of such Mortgage Loan, the Originator hereby agrees to pay a \$100 penalty to the Servicer for each 30 day period thereafter that such Mortgage Loan file remains incomplete in any respect. Furthermore, if 180 days after the closing date of such Mortgage Loan, the Mortgage Loans shall remain unqualified for inclusion in a Ginnie Mae or Fannie Mae Pool, the Originator hereby agrees to repurchase said Mortgage Loan not later than 90 days after notice from the Authority at a price equal to (i) the outstanding principal balance of such Mortgage Loan, plus (ii) any accrued and unpaid interest at the annual rate borne by the Mortgage Note to the date of repurchase, plus (iii) and Servicing Release Fees paid to the Originator, plus (iv) any other funds expended or advanced by the Authority with respect to such Mortgage Loan. The Authority is hereby authorized by the Originator to execute and deliver such instruments of transfer or assignment, in each case without recourse, as shall be necessary to vest in the Originator such repurchased Mortgage Loan. Any Originator in violation of the provisions of Section 4.6(c) and 4.8 or having incurred penalties pursuant to Section 4.6(c) and 4.8 in excess of \$500 outstanding for more than 60 days may be barred from participation in current and future programs of the Authority, of whatever type, in the sole discretion of the Authority. Each Originator hereby waives any statute of limitations or other law that might otherwise be raised in defense to any repurchase obligation hereunder.

Section 4.9 Early Payment Default. Early Payment Default ("EPD") is defined as any loan for which any of the first seven payments due to the Authority after the purchase date of the loan becomes ninety (90) days or more delinquent. For the purposes of determining whether an EPD has occurred, a payment is excluded from being considered as a payment due the Authority if the loan balance purchased by the Authority has been amortized for the applicable scheduled payment, or if the scheduled due date for the payment is on or before the purchase date of the loan.

A payment is considered 90 days or more delinquent if it has not been received by the Authority, whether from the borrower directly or forwarded by the participating lender if the borrower has submitted the payment to the participating lender, within three (3) months after the payment due date, regardless of the number of days in the month.

Upon the occurrence of an EPD with respect to any loan, the participating lender is obligated to repurchase the loan in accordance with the Mortgage Origination Agreement and the Program Manual.

Example 1: The first payment due the Authority was November 1st. The November 1st, December 1st, January 1st and February 1st payments were made on time. If the March 1st payment is not received by the Authority by May 31st, then that payment is considered three (3) months delinquent and the loan is an EPD loan.

Example 2: The first payment due the Authority was November 1st. The November 1st and December 1st payments were made on time. If the January 1st payment is not received by the Authority by the end of the business day on March 30th, the payment is considered three (3) months delinquent and the loan is an EPD loan.

Section 4.10 Defective Documents and Non-Qualifying Mortgage Loans; Repurchase of Loans by Originator.

- (a) If any document required to be submitted by the Originator in accordance with the Program Manual is defective in any material respect, or if it is determined that a Mortgage Loan is a Non-Qualifying Mortgage Loan, the Authority has knowledge thereof, shall promptly notify the Originator specifying the defect or defects in questions and the Originator shall cure the defect within a period of 30 days from the earlier of the time the Originator discovers such defect or the Originator receives notice of such defect from the Authority or the Trustee (the "Cure Period"). "Defect" or "Defective," whether or not capitalized, for purposes of this Section 4.10 shall mean a failure to cause the Mortgage Loan to comply with the terms of this Agreement.
- (b) With respect to defective Mortgage Loans or Non-Qualifying Mortgage Loans, the Originator hereby covenants and agrees that if any Mortgage Loan is determined by Servicer to be a defective Mortgage Loan or a Non-Qualifying Mortgage Loan and the defect causing the same cannot be cured, the Originator will repurchase or, at the option of the Authority, will cooperate fully with the Authority in a foreclosure action with respect to such Mortgage Loan or Non-Qualifying Mortgage Loan (if possible). If it is not possible for Servicer to foreclose such Mortgage Loan or Non-Qualifying Mortgage Loan, then the Originator shall be required to repurchase such Mortgage Loan or Non-Qualifying Mortgage Loan on the terms and conditions set forth in the preceding paragraph. At the option of the Authority and the Originator, the Authority may foreclose and the Originator will be obligated to pay the Authority any deficiency remaining following disclosure.
- (c) As used herein, the term "Non-Qualifying Mortgage Loan" shall mean and include any Mortgage Loan purchased hereunder with respect to which:
 - (1) Any statements contained in any of the affidavits or certifications of Mortgagor, builder/seller, or Originator are determined to be incorrect, untrue, misleading or fraudulent;
 - (2) There is a default in the first payment due on the Mortgage Loan, or the Mortgage Loan otherwise fails to comply with the terms hereof;
 - (3) The Mortgage Loan is prepaid within 90 days after it is purchased from the Originator; or
 - (4) The Mortgage Loan becomes delinquent within the first seven (7) months after it is purchased from the Originator.
 - (5) An Early Payment Default as defined in Section 4.9.
- (d) With respect to Non-Qualifying Mortgage Loans, each Originator hereby covenants and agrees that if any Mortgage Loan is determined by the Authority to be a Non-Qualifying Mortgage Loan and the defect causing the same cannot be cured, such Originator will repurchase or, at the option of the Authority, will cooperate fully with the Authority in a foreclosure action with respect to such Non-Qualifying Mortgage Loan (if possible). Each Originator further covenants and agrees that if any fee is assessed by Ginnie Mae, Fannie Mae or Freddie Mac, as the case may be, with regard to a Non-Qualifying Mortgage Loan, such Originator will pay the amount of the fee to the Authority. If the Authority exercises the foreclosure option and if it is not possible for the Authority to foreclose such Non-Qualifying Mortgage Loan, then such Originator shall be required to repurchase such Mortgage Loan efficiently on the terms and conditions set forth in this Section. Without limiting the foregoing and in addition thereto, with respect to

Non-Qualifying Mortgage Loans described in items (c) above, each Originator hereby further covenants and agrees to refund to Servicer any Servicing Release Premium paid by Servicer with respect to a purchase of Servicing Rights, and with respect to Non-Qualifying Mortgage Loans described in item (c) above, each Originator hereby further covenants and agrees to indemnify and hold Servicer harmless from any and all losses or expenses incurred as the result of a foreclosure on such Mortgage Loan.

- (e) Each Originator hereby covenants and agrees that if Originator has failed to repurchase a defective or Non-Qualifying Mortgage Loan within the time required by this Agreement after receipt of requisite notice hereunder, the Authority may reduce the amount of any payment due to Originator for the purchase of Mortgage Loans by an amount equal to the unpaid repurchase price for the defective or Non-Qualifying Mortgage described in this Section 4.10 together with the amount of any fees described in Section 4.10(d). After exercising the right to net fund described in this paragraph, the Authority shall deliver the Mortgage File with respect to each defective or Non-Qualifying Mortgage Loan within the time otherwise required under this Agreement for repurchased Mortgage Loans.
- (f) Each Originator hereby waives any statute of limitations or other law that might otherwise be raised as a defense to any obligation to repurchase a Non-Qualifying Mortgage Loan under this Agreement or to the Authority's exercise of the right to net fund described in Section 4.10(e).

Section 4.11 Reallocation of Funds from Repurchase. If, during the Origination Period, an Originator is required to repurchase a Mortgage Loan from the Authority pursuant to Section 4.8 hereof, the Authority may reallocate the Reservation of Funds applicable to such Mortgage Loan to other Originators or in such other manner as the Authority may deem appropriate.

Section 4.12 Extension of Commitment Period. The Authority may at its discretion extend the expiration date of the 15 day Reservation/Commitment Period for an additional fee of .25% of the Mortgage Loan. The interest rate will be determined at the time of the Commitment extension as either the higher of the reservation rate or current market rate. Reservation periods of 30 days may be extended, at the discretion of the authority

Section 4.13 Disclosure of Purchase of Mortgage Loan and Servicing Rights. At the Closing of each Mortgage Loan, the Originator of the Mortgage Loan shall disclose in writing to the Mortgagor that financing of the Mortgage Loan is being provided by the Authority, that the Mortgage Loan will be sold to the Authority and that the Authority will provide the servicing of the Mortgage Loan.

ARTICLE V DUTIES OF THE AUTHORITY

Section 5.1 Availability of Funds. The Authority hereby agrees to use its best efforts to make funds available to purchase the Mortgage Certificates in an amount equal to the principal amount of Qualified Mortgage Loans purchased by the Authority hereunder.

Section 5.2 Issuance of Notices. The Authority hereby agrees to issue such notices as may be necessary to fulfill the obligations of the Authority hereunder or to effectuate the purposes of the Program and this Agreement.

Section 5.3 Review of Originators' Performance. The Authority may periodically review the performance of the Originators, as reflected by the reports and recommendations of the Administrator and such other evidence as may be presented to the Authority, to determine if the Originators are performing in accordance with the standards requires by the Agreement. If the Authority, in it's sole discretion, determines that an Originator is not performing in accordance with such standards, the Authority shall notify such Originator of any such deficiency, and the Originator shall have (30) days to cure such deficiency. If, upon the expiration of (30) days, the deficiency, in the sole discretion of the Authority is still in existence and if such deficiency is deemed sufficient by the

Authority to warrant termination of such Originator, then the Originator, shall be notified that its services are being terminated and the date on which such termination shall be effective.

Section 5.4 **Assignment of Duties of Authority.** The Authority will serve as the administrator of the Program; provided, however, that the Authority reserves the right to appoint a separate administrator and to delegate to such successor administrator such duties hereunder as the Authority may determine. The Authority may also assign, from time to time, to the extent permitted by law, all or a portion of its authority, rights and/or duties under this Agreement to members of its board of directors or staff or to experts, consultants, or other persons or entities retained by the Authority. Upon notice to the Originators of the taking of any action pursuant to this Section 5.4, the Originators shall deal with any such assignee or successor administrator in accordance with the terms set forth in the notice of an assignment hereunder or such assignment, until notice to the Originators of any modification or termination of such assignment.

Section 5.5 **Execution of Documents.** The Authority shall cause to be executed and delivered instruments of assignment or conveyance and all other documents which are reasonably required to be executed and delivered by the Authority in connection with the Program and which are not inconsistent with the provisions hereof and of the Indenture.

Section 5.6 **Consultation Concerning Agreement and Program Guidelines.** If any Originator has a question concerning its duties or responsibilities under this Agreement or the Program Guidelines, the Authority shall be available for consultation and advice.

Section 5.7 **Review of Mortgage Loans Prior to Purchase.** In addition to the other duties imposed upon it under this Agreement, the Authority shall review the Mortgage Documents submitted by the Originators for each Mortgage Loan prior to the origination thereof, for the purpose of determining whether the said Mortgage Loan is a Qualified Mortgage Loan which is eligible for inclusion under the Program. No Closing shall occur nor shall any Mortgage Loan be purchased from an Originator or included in a Pool, unless and until the Authority has certified it as a Qualified Mortgage Loan. In the event the Mortgage Documents or the Mortgage Loan File pertaining to any Mortgage Loan is, in the judgment of the Authority, defective or the Mortgage Loan is otherwise not acceptable for inclusion in the Program in accordance with the terms of this Agreement, the Authority may return the Mortgage Documents or the Mortgage Loan File to the Originator for curative action, specifying the defect or, the Authority, in its discretion, may hold such Mortgage Documents or the Mortgage Loan File pending correction of the defect, as specified in a notice or otherwise communicated to the Originator. In its discretion, to be exercised by notice in writing to the Originators, the Authority may require that certain documents in addition to the Mortgage Loan Documents be submitted to the Authority for review prior to the Closing of the related Mortgage Loan.

Section 5.8 **Limited Liability.** All obligations of the Authority incurred hereunder shall be special, limited obligations of the Authority, and nothing contained hereunder shall create any indebtedness or be construed to create any moral obligation on the part of the Authority, or permit any person to compel the exercise of the taxing power of the State or any political subdivision thereof.

ARTICLE VI TERMINATION AND LIABILITIES

Section 6.1 **Originators Not to Resign.** Originators shall not have the right to resign from the obligations and duties hereby imposed on them. Except as permitted by Section 2.2(j), no Originator shall have the right or privilege to assign or transfer its rights and duties under this Agreement.

Section 6.2 **Involuntary Termination of Originators.** The Authority may terminate this Agreement with respect to any Originator upon the happening of any one or more of the following events:

- (a) Falsity in any material respect of a representation or warranty of the Originator to the Authority.

- (b) Failure of the Originator to comply in all respects with its obligations under this Agreement.
- (c) Failure of the Originator duly to observe or perform in any material respect any other covenant, condition or agreement in this Agreement to be observed or performed by it other than as referred to in Section 6.2(a) or (b) hereof, for a period of thirty (30) days after a written notice to it from the Authority specifying such failure and requesting that it be remedied; provided, however, if the failure stated in the notice is not the result of fraud or willful misconduct and cannot be corrected within the applicable period, the person giving such notice shall consent to a reasonable extension of time if corrective action is instituted by the Originator within the applicable period and is diligently pursued until fully corrected.
- (d) Decree or order of a court, agency or supervisory authority having jurisdiction in the premises appointing a conservator, receiver or liquidator in any insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceeding affecting the Originator or substantially all of its properties, or for the winding-up or liquidation of its affairs, if such decree or order shall have remained in force undischarged or unstayed for a period of sixty (60) days.
- (e) Consent by the Originator to the appointment of a conservator, receiver or liquidator in any insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceeding affecting the Originator or substantially all of its properties.
- (f) Admission in writing by the Originator of its inability to pay debts generally as they mature, or the filing of a case or petition to take advantage of any applicable bankruptcy or insolvency statute, or the making of an assignment for the benefit of creditors.

If any of the events specified in (d), (e) or (f) above shall occur, the Originator shall give written notice of such occurrence to the Authority within two (2) days after the happening of such event.

Section 6.3 Excused Nonperformances. Notwithstanding anything in this Agreement to the contrary, there shall be no termination of, and no liability under, this Agreement with respect to an Originator for its failure to duly observe or perform in any material respect any covenant, condition, or agreement to be observed or performed by it, if such failure on its part is directly caused by the failure of the Authority to observe or perform in any material respect any covenant, condition, or agreement to be observed or performed by the Authority.

Section 6.4 Access to Records and Agreement to Pay Attorneys' Fees. The Authority or its agents, may, from time to time, request any Originator to allow the inspection of any of its books and records, or any records of its accounts maintained by any bank or depository, pertaining to the Program and the Originator shall allow such inspections, access to, and copying of such books and records at reasonable times during Originator's normal business hours and upon reasonable terms. If it is determined in a judicial proceeding that an Originator has breached or failed to perform under any provision of this Agreement, and if the Authority shall employ attorneys or incur other expenses for the enforcement, performance, or observance of the terms of this Agreement on the part of an Originator, then the Authority as the case may be, to the extent permitted by law, shall be reimbursed by the Originator, on demand, for reasonable Attorney's fees and other out-of-pocket expenses.

Section 6.5 No Liability for Removal of Originator. Notwithstanding any provision in this Agreement to the contrary, the Authority shall not be liable in any respect for the termination of an Originator for cause (including without limitation any event specified in Section 6.2) or owe any duty to such Originator if terminated for cause.

ARTICLE VII MISCELLANEOUS PROVISIONS

Section 7.1 Amendments, Changes and Modifications. This Agreement may be amended, changed, modified, or altered by an instrument in writing executed by the Authority, which specifically refers to this Agreement and which is executed by each Originator if adversely affected by such amendment, change, modification or alteration.

Section 7.2 **Recordation of Agreement.** Each party agrees that this Agreement, or a memorandum of any portion or portions hereof, may be recorded in all appropriate public offices for real property records in all the counties or other comparable jurisdictions in which any or all of the properties subject to the Mortgage Loans are situated, and in any other appropriate public office or elsewhere. The Originators agree to execute, if necessary, copies of this Agreement, or such other appropriate memorandum, in order to effect such recording.

Section 7.3 **Governing Law.** This Agreement shall be construed in accordance with the laws of the State and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

Section 7.4 **Notices.** All notices, certificates or other communications hereunder shall be in writing and deemed given when delivered or five (5) days after mailing by certified or registered mail, postage prepaid, return receipt requested, addressed to the appropriate Notice Address. The Authority, and the Originators may, by notice given hereunder, designate any further or different or additional address to which subsequent notices, certificates and other communications shall be sent.

Section 7.5 **Severability.** In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate nor render unenforceable any other provision hereof. Such invalid or unenforceable provision shall be amended, if possible in order to accomplish the purposes of this Agreement.

Section 7.6 **Further Assurances and Corrective Instruments.** To the extent permitted by law, the Authority, and the Originators agree that each will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required or appropriate to further express the intention, or to facilitate the performance of this Agreement.

Section 7.7 **Terms of Agreement.** This Agreement shall continue in full force and effect for a term of thirty-two (32) years or until sooner terminated in accordance with the terms hereof.

Section 7.8 **No Rights Conferred on Others.** Nothing in this Agreement, unless expressly provided otherwise, shall confer any right upon any person other than the Authority, and the Originators.

Section 7.9 **Limitation on Liability of Parties.** Each party to this Agreement shall be liable under this Agreement only to the extent that obligations are imposed upon the party against whom enforcement is sought.

Section 7.10 **Limitation on Liability of Directors, Officers, Employees and Agents of a Party.** No director, officer, employee or agent of any party to this Agreement shall be liable to any other party for the taking of any action or for refraining to take any action in good faith pursuant to this Agreement.

Section 7.11 **Incorporation by Reference.** The Invitation is incorporated herein for all purposes.

Section 7.12 **Survival of Obligations and Covenants.** Notwithstanding anything to the contrary herein, the expiration of this Agreement or the termination or resignation of any Originator under this Agreement shall not affect any obligations of such Originator under Section 4.8 hereof. The representations, warranties and covenants of each Originator under Section 2.2 hereof survive the inclusion of each Mortgage Loan in a Pool and shall be continuing without regard to any termination of the Originator hereunder.

Section 7.13 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be an original; however, all such counterparts shall together constitute one and the same instrument.

Section 7.14 **Headings.** The headings of the various sections of this Agreement have been inserted for convenience of reference only, and shall not be deemed to be a part of this Agreement.

Section 7.15 **Gender.** Words of any gender used in this Agreement shall be held and construed to include any other gender, and words in the singular shall be held and construed to include the plural, unless this Agreement or the context otherwise requires.

Section 7.16 **Forms and Reports.** All forms or reports required by this Agreement will be prescribed by the Authority from time to time and may be amended, supplemented, or replaced as the Authority shall deem appropriate.

Section 7.17 **Limitation of Liability.** Notwithstanding anything herein to the contrary, no recourse shall be had for any claim based upon any obligation or covenant in this Agreement against any incorporator of the Authority, or against any past, present or future member, officer, director, employee or agent of the Authority or any successor corporation, either directly or indirectly, under any rule of law or equity, statute or constitution. This Agreement is entered into by the Authority under and pursuant to the provisions of the Act. No provision hereof shall be construed to impose a charge against the general credit of the Authority or any personal or pecuniary liability upon the Authority or any of its members, officers or directors.

IN WITNESS WHEREOF, this Agreement has been executed as of the day and year first above written.

ALABAMA HOUSING FINANCE AUTHORITY

By _____
Chairman of the Board of Directors

ATTEST:

Assistant Secretary

[S E A L]

Execution Page for

STEP UP

Originating Lenders

with respect to the
Origination and Sale Agreement
Dated as of June 21, 2013

as Originator

By _____

Its _____

Address _____

ATTEST:

Its _____

[SEAL]



ORIGINATOR QUESTIONNAIRE

PART I: GENERAL INFORMATION

1. Legal Name of Institution: _____

2. Jurisdiction of organization and date of incorporation: _____

Form of Organization:

National Banking Association

State Chartered Savings & Loan

State Banking Corporation

Mortgage Banker

Federally Chartered Savings & Loan

Credit Union

Other (Specify) _____

3. (a) Date of qualification to do business in the State of Alabama (the "State"): _____

(b) Are you a lender, having maintained an office in the State at least 12 consecutive months immediately prior to the execution of this agreement? Yes No

(c) Did you originate single family residential FHA, Rural Development and conventional loans in the State at least 12 consecutive months immediately prior to the execution of this agreement?
 Yes No

(d) Are you a Fannie Mae-approved Seller-Servicer? Yes No

(e) Are you a FHA-approved lender? Yes No

(f) Does FHA require your organization to enter into a Sponsored Third-Party Originator Agreement with an unconditionally approved FHA Lender? Yes No

(g) If you answer YES to question (f) above, what is the name of the sponsoring originator?

_____.

Are they an approved Originator I with AHFA? Yes No

(h) Do you underwrite your FHA loans "in house"? Yes No

(i) If you answer NO to question (h) above, do you have a principal authorized agent relationship with another originator? Yes No

Is the agreement perpetual? Yes No

If NO, when does the agreement expire? _____ (date)

Is this agreement with an AHFA approved Originator I? Yes No

Originator I Name: _____

4. Address and telephone number of principal office:

5. Name, title, telephone number, and address of person to whom correspondence with regard to this Program should be addressed: _____

6. Are your financial statements audited? Yes No By whom? _____

7. Fiscal year ends on _____ of each year.

8. On the attached sheet, please indicate the branches at which FHA, RD and conventional loans are originated (include addresses, responsible loan officers' names, telephone and fax numbers).

9. (a) Does your errors and omissions policy cover the Authority as an additional insured?
 Yes No

(b) Please state the name of the insurer and limits of liability of your errors and omissions insurance coverage:

_____ \$ _____

10. (a) Does your fidelity bond name, or cover, the Authority as an additional insured?
 Yes No

(b) Please state the name of the guarantor and the amount of your fidelity bond:

_____ \$ _____

11. Please indicate whether you or your parent company are, or have received notice or knowledge that you or your parent company are on any form of "watch list" or under any program of specified supervision of the FDIC, FSLIC, Federal Home Loan Bank, NCUA, or other regulatory body:

Yes No If "Yes", please indicate name of regulatory body involved: _____

12. Please indicate the level of participation as described in of the Program Guidelines:

Originator I _____

Originator II _____

Originator III _____

Originator IV _____

13. Provide current NMLS/License #: _____

14. Provide your EIN: _____

PART II: GENERAL FINANCIAL INFORMATION

Information Provided for Fiscal Year Ended _____

A. Please provide the following information if your institution is a savings and loan association:

- Profit (Loss), year to date _____
- Total assets _____
- Conventional mortgage loans..... _____
- FHA-VA mortgage loans..... _____
- Deposits _____
- Savings Capital _____
- Advances (Federal Home Loan Bank) _____
- Other borrowed money..... _____
- Net Worth _____

B. Please provide the following information if your institution is a savings or commercial bank:

- Profit (Loss), year to date _____
- Total assets _____
- Conventional mortgage loans..... _____
- FHA-VA mortgage loans..... _____
- Cash..... _____
- Total capital accounts _____
- Total deposits..... _____
- Total Capital notes and long-term debt outstanding _____
- Net Worth (capital, surplus, UP & R) _____

C. Please provide the following information if your institution is a mortgage company or a mortgage banker:

- Profit (Loss), year to date _____
- Total assets _____
- Conventional mortgage loans..... _____
- FHA-VA mortgage loans* _____
- U. S. government obligations _____
- Construction and development loans (net of possible losses) _____
- Foreclosed properties..... _____
- Net Worth _____

*Held for resale.

CERTIFICATION STATEMENT

It is understood that the Authority may use the information contained in this Originator Questionnaire, along with other factors and information (including any data furnished by the undersigned in connection with prior programs of the Authority), in selecting Originators for the Program. We hereby authorize such use and certify to the best of our information, belief and knowledge, that the information presented in this Originator Questionnaire is true and accurate to the extent possible given available information. We understand that if any information is materially misrepresented in this Originator Questionnaire, the Authority shall have the right to modify or terminate our participation in its Program. In certain instances, estimates have been based upon reasonable assumptions using such reliable sources of data and information as are available to this institution. We further certify that as of the date hereof there is no aspect of our financial condition or operations that could reasonably be expected to adversely affect our ability to perform our obligations to the Authority under the Origination and Sale Agreement applicable to the Program or any prior program of the Authority.

Signed: _____
(Name of Authorized Officer)

Institution: _____
(Full Legal Name)

Title: _____

Date: _____



HOME OFFICE CONTACT FORM

Legal Name of Institution: _____

Home Office contact person and address for updates, memos and future issues:

Telephone _____ Fax _____

E-mail _____

Home Office contact person and address for Step Up compliance file submission:

Telephone _____ Fax _____

E-mail _____

Home Office contact person and address for Step Up compliance curative information:

Telephone _____ Fax _____

E-mail _____

Home Office contact person and address for Step Up closed loan curative information:

Telephone _____ Fax _____

E-mail _____



BRANCH OFFICE CONTACT FORM

Legal Name of Institution: _____

Please list all branches and include the branch manager, address, telephone number, fax number, and e-mail address. (Attach a separate list if necessary.)

City _____ Branch Manager _____
Address _____
Phone _____ Fax _____
E-mail _____

City _____ Branch Manager _____
Address _____
Phone _____ Fax _____
E-mail _____

City _____ Branch Manager _____
Address _____
Phone _____ Fax _____
E-mail _____

City _____ Branch Manager _____
Address _____
Phone _____ Fax _____
E-mail _____

City _____ Branch Manager _____
Address _____
Phone _____ Fax _____
E-mail _____

City _____ Branch Manager _____
Address _____
Phone _____ Fax _____
E-mail _____

City _____ Branch Manager _____
Address _____
Phone _____ Fax _____
E-mail _____

FUNDING AUTHORIZATION

Transfer Type: ACH Wire (additional fees applicable)
Affiliated HFA: AHFA MHDC WSHFC MHC NCHFA

Company Name: _____

Beneficiary

Account Name: _____

Account Number: _____

Beneficiary Bank

Account Name: _____

Routing or Account Number: _____

Intermediary Bank Information (if applicable)

Routing Number: _____

Address: _____

Additional Information:

The undersigned lender accepts responsibility to report to ServiSolutions any financial institution changes, account number changes, lender name changes or any other vital information necessary for transfer of funds. Failure to notify ServiSolutions could result in funding delays. ServiSolutions may rely on this authorization until it receives written notice of any change.

Signature

Title

Type Name

Date

Do Not Write Below This Line — for AHFA Use Only

Date Received

Date Entered

Initials