



PARTICIPATION OVERVIEW

Alabama Housing Finance Authority (the "Authority") offers its Step Up program (the "Program") for the 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. These Mortgage Loans are originated by lending institutions participating in the Program as originating lenders (the "Originators") pursuant to the attached Origination and Sale Agreement (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, which will aggregate the Mortgage Loans into Ginnie Mae, Freddie Mac, and Fannie Mae pools and issue Ginnie Mae, Freddie Mac, and Fannie Mae certificates, as applicable, backed by such Mortgage Loans. The Authority will pay to Originators a Servicing Release Premium in an amount specified in the Step Up Program Guidelines (the "Program Guidelines"), and the Authority will service all Mortgage Loans purchased under the Program.

Originators will reserve funds on a loan-by-loan basis by using the Authority's online Reservation System. (See "Reservation System" in the Program Guidelines for a more complete description.)

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 (Originator I or II)
3. Originator Questionnaire
4. Funding Authorization (Originator I or II)

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

1. A completed Originator Questionnaire;
2. Completed wiring instructions (Originator I or II);
3. Most recent audited financial statements. Must be most recently-issued statements and include the Report of Independent Auditors. A minimum of \$1,000,000 equity (net worth) is required (Originator I or II);
4. Resumes of principal officers and underwriting personnel;
5. Lender's quality control procedures;
6. Most recent score card from three other investors;
7. Most recent 90 days of QC reports with management responses (Originator I and II);
8. Copy of current E&O Policy and Fidelity Bond;
9. Lender's hiring procedures for checking all employees, including management, in the origination of mortgage loan against GSA Excluded Parties List, HUD LDP List, and FHFA SCP list;
10. Original executed Origination Sales Agreement; and
11. A fee of \$175 for new Originators. The fee for recertification is \$75. The fee must be delivered to the Authority by wire at:

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.: Carrie Hamaker

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 training for 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.

Questions concerning the Program should be directed to the Authority c/o Carrie Hamaker.

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



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 _____

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: _____



STEP UP LENDER CONTACT FORM

Lender Name: _____

Address: _____

Primary Contact: _____

Phone: _____ **E-mail:** _____

Shipping Manager: _____

Phone: _____ **E-mail:** _____

Final Documents Contact: _____

Phone: _____ **E-mail:** _____

Repurchase Contact: _____

Phone: _____ **E-mail:** _____

Secondary Marketing: _____

Phone: _____ **E-mail:** _____

Post-Closing Quality Control Contact: _____

Phone: _____ **E-mail:** _____

STEP UP BRANCH OFFICE CONTACT FORM

Lender Name: _____

List the contact information for each branch below. Please complete one form for each branch. Attach additional pages as needed.

City/Branch: _____

Address: _____

Phone: _____ Website: _____

Branch Manager: _____ E-mail: _____

Contact information for each loan officer/originator:

Name: _____ E-mail: _____

Name: _____ E-mail: _____

Name: _____ E-mail: _____

Name: _____ E-mail: _____

Name: _____ E-mail: _____

Name: _____ E-mail: _____

Name: _____ E-mail: _____

Name: _____ E-mail: _____

Name: _____ E-mail: _____

Name: _____ E-mail: _____

Name: _____ E-mail: _____



PROGRAM GUIDELINES

Dated as of February 20, 2019

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 February 20th 2019 (the "Agreement"). All capitalized terms used herein, unless otherwise specified, shall have the meaning specified in the Agreement.

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 or II Level approval:

An **Originator I** (Lender with FHA direct enforcement Authority, Freddie Mac, Fannie Mae and/or Seller/Servicer) must:

- A. 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;
- B. 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 the Agreement;
- C. Be an FHA DE-approved mortgagee and an approved Freddie Mac or Fannie Mae seller/servicer or TPO Lender;
- D. Furnish audited financial statements evidencing \$1,000,000 net worth;
- E. Maintain and furnish evidence of \$500,000 in Errors and Omissions coverage;
- F. Maintain and furnish evidence of fidelity bond coverage;
- G. 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;
- H. If participating in a previous program of the Authority, be in good standing under such previous program;
- I. 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;
- J. Be a MERS-approved lender, and
- K. Currently hold servicing, or document the ability to hold servicing, of mortgage loans for the purpose of interim servicing and loan repurchase.

*Originator I with correspondent approval must provide evidence of adequate pre-funding and post-funding TPO quality control, and a minimum of three years' experience in TPO Lending.

An **Originator II** (Lender without FHA DE Authority and not an approved FREDDIE MAC or Fannie Mae or seller/servicer or TPO Lender) must:

- A. Be a banking corporation or trust company or credit union organized under the laws of this State, under the jurisdiction of the superintendent of banks of the State, or under the laws of the United States having its principal place of business in this State and conducting the business of making mortgage loans and taking deposits in this State;
- B. 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;
- C. 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 the Agreement;
- D. If participating in previous programs of the Authority, be in good standing under such previous programs;
- E. 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;
- F. Be a MERS-approved lender;
- G. Furnish audited financial statements evidencing \$1,000,000 net worth;
- H. 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 this agreement;
- I. Have entered into a contract service agreement with an approved PMI Company to provide underwriting and mortgage insurance on Conventional Mortgage Loans with a LTV of 80% or greater and enter into a correspondent arrangement with an approved Originator I with correspondent approval for the underwriting and closing of FHA loans; and
- J. Currently hold servicing or document the ability to hold servicing of mortgage loans for the purpose of interim servicing and loan repurchase.

All applicants must furnish the Authority with the information requested in the Authority's Originator Questionnaire in sufficient detail acceptable to the Authority.

2. **Reservation System.** The Authority accepts 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. 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 is required. The Authority may, in its sole discretion, waive or modify any or all of the foregoing requirements.

The Authority utilizes 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. Insured by FHA
- B. Guaranteed by Rural Development*;
- C. 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
- D. A Conventional Mortgage Loan insured by a policy of Private Mortgage Insurance Commitment issued by an approved PMI Company.
 - i. 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

- ii. If such Mortgage Loan is included in Freddie Mac's "HFA Advantage" program or 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 agency Selling Guide. PMI coverage will be provided by an approved Private Mortgage Insurance Company.

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.

Only second mortgages made under the Authority's programs, or other programs approved by the Authority, are permitted.

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. At least one of the Eligible Mortgagors must complete a homebuyers education course approved by the Authority prior to Closing. The Originator must submit the certificate of completion with the closed loan file.
 - A. *Income Restrictions.* The maximum Qualifying Income for this program 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, Freddie Mac, 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.** Loans that are originated in accordance with the loan origination, eligibility and credit underwriting standards established by the Program will be considered eligible.

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 issued prior to 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 and (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"). 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 described in paragraph 2 with respect to the Reservation of Funds for such Mortgage Loan, to be applied as a credit at Closing.

10. Third Party Originations. Approved Originator I's with correspondent approval may enter into correspondent arrangements with Third Party Originators, but the following restrictions apply:

- A. All loans originated by a Third Party Originator must be "borrower paid" transactions. The Third Party Originator must charge and retain the required 1% Loan Origination Fee as well as any other fee to the extent permitted by law not in excess of the amounts that would be assessed if made in connection with a non-Program mortgage loan;
- B. All loans must close in the name of Originator I. Loans cannot close in the name of the Third Party Originator and then be sold to the Originator I;
- C. The Originator I must make all reservations in the Lender Online system. The Originator I cannot provide a password and access to the Lender Online system to anyone other than their own employees; and
- D. The Originator I is responsible for ensuring that all underwriting is in compliance with secondary market standards and guidelines for FHA, Freddie Mac or Fannie Mae loans. In the event that there is a requirement for repurchase the Originator I, not the Third Party Originator, will be required to repurchase the loan.

11. 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, units of a "condominium," or units within a "planned unit development" as such terms are defined in the Freddie Mac or Fannie Mae Guide.

12. 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.

13. 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, the Freddie Mac or the Fannie Mae Guides. All Mortgage Loans must comply with the provisions of the Agreement.

14. 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.

15. Mortgage Documents. The closed loan package is to be submitted as stated in the Step Up Procedure Manual.

16. Purchase and Servicing of Mortgage Loans. Each Originator I or II will sell the Qualified Mortgage Loans which it originates to the Authority. Mortgage Loans purchased by the Authority will be in an amount equal to the principal amount of the Mortgage Loan plus a Servicing Release Premium, 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 after the Closing Date. 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 Procedure 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 Closing that the loan servicing duties will be transferred to the Authority. The Authority will service all purchased Mortgage Loans under the name ServiSolutions.

17. Buydowns. Buydowns are permitted under the Program, but only with written authorization from the Authority.

18. 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; and
- C. Conventional Mortgage Loans – lesser of \$7,500 or 3% of the sales price or 100% of the minimum cash requirement.

*** The Authority currently does not offer a Rural Development product.**

This Program will be available in conjunction with homes financed under FHA 203(b), RD Guaranty loans, Freddie Mac or Fannie Mae loan products. This program cannot be used in conjunction with any other down payment assistance program or grant program without prior approval from the Authority. All FHA, RD, Freddie Mac 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 Procedure 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 PROCEDURE 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.

ORIGINATION AND SALE AGREEMENT

Dated as of
February 20, 2019
Relating to

**Alabama Housing Finance Authority
Step Up Program**

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ORIGINATION AND SALE AGREEMENT

THIS ORIGINATION AND SALE AGREEMENT (the “Agreement”), dated as of February 20, 2019, 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 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.

“**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.

“**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.

“**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.

“Conventional Mortgage Loan” means a Mortgage Loan other than a Mortgage Loan which has FHA Insurance with a VA Guaranty or a Rural Development Guaranty.

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

“Eligible Mortgagor” means the person(s) intending to purchase a Residence to be financed with a Mortgage Loan and to reside therein as his/her/their Principal Residence, whose Qualifying 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.

“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.

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

“Freddie Mac Certificate” means a single-pool, guaranteed mortgage pass-through Freddie Mac Mortgage-backed Security, issued by Freddie Mac in book-entry form, the full and timely payment of principal of and interest on which is guaranteed by Freddie Mac, 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.

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

“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.

“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 Participation Overview 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 a defaulted Mortgage Loan, 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.

“Qualifying Income” means the income used to qualify the borrower(s) for a Mortgage.

“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, Freddie Mac, or Fannie Mae Certificate.

“Mortgage Documents” means the documents required in paragraph (15) of the Program Guidelines and Section VIII of the Step Up Manual, pertaining to a particular Mortgage Loan.

“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 Mortgage Note or standard Freddie Mac/Fannie Mae Mortgage 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.

“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.

“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 Ginnie Mae, Freddie Mac or Fannie Mae, relating to the sale by the Authority of Mortgage Loans to Freddie Mac or 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:

- A. Optional prepayment of a Mortgage Loan;
- B. Insurance Proceeds or condemnation awards applied to the prepayment of a Mortgage Loan following a partial or total destruction or condemnation of a Residence;
- C. 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;
- D. A prepayment of a Mortgage Loan required pursuant to applicable rules, regulations, policies and procedures of FHA, RD, or Ginnie Mae; or
- E. A prepayment of a Mortgage Loan without notice or prepayment penalty while under supervision of a receiver or 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:

- A. Has not been or is not to be used by the proposed Mortgagor as an investment property or as a recreational home; or
- B. Is otherwise deemed a “principal residence” under federal law, including the Act.

“PMI Company” means any private mortgage insurance company approved by the Authority, to provide Private Mortgage Insurance Commitments on Conventional Mortgage Loans.

“Private Mortgage Insurance Commitment” means a private mortgage insurance policy issued by a PMI Company 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 Freddie Mac or Fannie Mae in accordance with the Freddie Mac or Fannie Mae Guides.

“Program” means the Step Up Program of the Authority.

“Program Guidelines” means and includes the Program Guidelines, 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 published to our ServiSolutions website.

“Program Participation Fee” has the meaning assigned from time to time in the Invitation.

“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 meets the appraiser independence requirements as published in Freddie Mac or Fannie Mae selling guides.

“Qualified Mortgage Loan” means a Mortgage Loan which has FHA Insurance, has a Rural Development Guaranty, 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.

“Repurchase Price” means the amount described in Section 4.8.C.1 of this Agreement, plus any additional amounts due to the Authority from an Originator in connection with the repurchase of a Mortgage Loan.

“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 seek or obtain a Reservation of 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 (which shall not exceed 60 days) after the Closing by a single family as the Principal Residence of the Mortgagor.

“Rural Development” or **“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.

“State” means the State of Alabama.

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

“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.

“Third Party Originator” means an Originator that must:

- A. 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 lending institutions) and be qualified to do business in the State;
- B. Have maintained an office in the State for origination of single family mortgage loans at least 12 consecutive months immediately prior to application as a Third Party Originator;
- C. Maintain Fidelity Bond Coverage; and
- D. Have entered into a correspondent lender agreement with an Originator I to originate single family mortgage loans in the State.

“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:
 - 1. The Act;
 - 2. The Authority's rules and regulations, or the instruments governing its operations in any respect; or
 - 3. 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.

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:
 - 1. Violate the instruments creating the Originator or governing its operations;
 - 2. Violate 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;
 - 3. 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;
- E. It will be, at the time of origination of any Mortgage Loan, an approved Originator I or II, 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:
 - 1. 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;
 - 2. As to each Mortgage Loan having a Rural Development Guaranty, with the provisions of Subchapter m, Chapter 8A, Title 42, U.S.C.A.;
 - 3. 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
 - 4. As to each Mortgage Loan to be included in a Pool represented by a Freddie Mac or Fannie Mae Certificate, with all requirements set forth in the Freddie Mac or 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:
 - 1. 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;
 - 2. Will not dissolve or otherwise dispose of all or substantially all its assets;
 - 3. 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;

4. Shall be qualified under the Laws of the State to do business in the State;
 5. 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;
 6. 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
 7. Shall assume in writing all 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 the eligibility criteria as specified in the Participation Overview; and
- 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; and
 3. Intended for occupancy by one family.
- C. The Mortgage Loan is:
1. Made in accordance with the Program Guidelines;
 2. A Qualified Mortgage Loan under the terms of this Agreement;
 3. 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;
 4. For a term of years permitted under this Agreement; and
 5. To the Originator's best knowledge, made to a Mortgagor whose Income is within the limits specified in the Program Guidelines.

- D. The Originator has complied:
1. 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;
 2. As to each Mortgage Loan having a Rural Development Guaranty, with the provisions of Subchapter III, Chapter 8A, Title 42, U.S.C.A.;
 3. 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;
 4. As to each Mortgage Loan which is to be included in a Pool represented by a Freddie Mac or Fannie Mae Certificate, with all requirements of the Freddie Mac or Fannie Mae Guide
 5. 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
 6. With all Laws governing the origination of Mortgage Loans.
- E. 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.
- F. 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.
- G. 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.
- H. 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.
- I. 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.
- J. There is no default or delinquency under the terms and covenants of the Mortgage Loan; no payments are 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 down payment, monthly installment, principal, interest, or other charges payable under the Mortgage Loan.

- K. There are no delinquent tax liens or delinquent assessment liens against the property financed by the Mortgage Loan.
- L. 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.
- M. 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.
- N. 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.
- O. 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.
- P. 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.
- Q. 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.
- R. The Mortgage Loan at the time of Closing and at the time of Purchase is in compliance with applicable usury laws.
- S. Immediately prior to the Assignment of the Mortgage Note and 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.
- T. 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.
- U. 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.
- V. 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 or her 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.

- W. 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.
- X. 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.
- Y. 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.

- A. 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.
- B. Each Originator agrees to use its best efforts to originate first and second Qualified 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.
- C. 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.

- A. 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.
- B. 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.

- A. 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.
- B. Each Originator hereby agrees to originate and sell Qualified Mortgage Loans in accordance with such specifications.

Section 4.2 **Terms of Origination.**

- A. Originators shall originate all Mortgage Loans under the Program in accordance with the Program Guidelines.
- B. All Mortgage Loans must be made to finance the acquisition of Residences within the Eligible Loan Area.
- C. 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.**

- A. Reservations of Funds may be transferred from one Mortgagor to another Mortgagor for the same Residence, with the approval of the Authority.
- B. 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.
- B. 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 on the Mortgage Note.
- C. Payments of principal shall commence on the first day of the second month following the Closing Date. Interest shall be paid in arrears.
- D. At the Closing, an Originator may collect, to the extent permitted by law and by FHA, RD, Freddie Mac, 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:
 - 1. 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
 - 2. 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.
- E. 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.
- F. 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.

- G. In addition to the requirements set forth in Section 4.4A above, each Mortgage Loan shall satisfy the following requirements, as applicable:
1. 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.
 2. Conventional Mortgage Loans are to be included in Pools represented by Freddie Mac or 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 Private Mortgage Insurance Commitment issued by an approved PMI Company, 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 Freddie Mac or Fannie Mae Guide, in any event subject to final review by the Authority.

Section 4.5 Prohibition of Discrimination.

- A. 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.
- B. 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.
- C. 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.
- D. All applications for Mortgage Loans and evidence of actions taken with respect thereto shall be retained by the Originators for 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.
- B. Each Originator agrees to sell the Qualified Mortgage Loans which it has originated and funded under the Program to the Authority as so directed.
- C. 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.
- D. The Originator shall pay all costs of preparing and furnishing to the Authority the Mortgage Documents and the Mortgage Loan File.
- E. 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.

- F. 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.
 - 1. 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.
 - 2. 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.
- G. 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.
 - 1. 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.
 - 2. The Authority shall retain the right to not Purchase any Mortgage Loan if the Purchase Date is more than 70 days after the Closing Date of the Mortgage Loan in the absence of written authorization of the Authority.
- H. 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, Freddie Mac, or Fannie Mae as applicable.
- I. Upon the Purchase of each Qualified Mortgage Loan, the Authority shall deliver to the Originator the appropriate Servicing Release Premium for the Mortgage Loans.
- J. Prior to the Purchase of a Mortgage Loan or the inclusion thereof in a Pool, the Originator 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.
- K. 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 Company shall be given by the Originator.
- L. The Originator shall submit the complete Mortgage Loan File within 10 days after the Closing Date prepared in accordance with the Program requirements and containing the documents specified therein.
- M. 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.**

- A. 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 120 days from the Purchase Date, the

Originator shall, at the option of the Authority, repurchase the Mortgage Loan for an amount equal to the Repurchase Price.

- B. 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 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.
- C. Each Originator hereby agrees that, if any material defect or inaccuracy cannot be cured within such 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 60 day period, or such shorter period if applicable, it will, not later than 90 days after notice to it respecting such defect or inaccuracy as to a Mortgage Loan with an outstanding principal balance,
 - 1. Repurchase the related Mortgage Loan from the Authority at a price equal to the sum of (the "Repurchase Price"):
 - a. The outstanding principal balance of such Mortgage Loan, plus
 - b. Any accrued and unpaid interest at the annual rate borne by the Mortgage Note to the date of repurchase, plus
 - c. Any Servicing Release Fees or other earned fees paid to the Originator, plus
 - d. Any other funds expended or advanced by the Authority with respect to such Mortgage Loan, including down payment assistance.
 - 2. In all cases, whether or not the Mortgage Loan has been repaid or otherwise satisfied, 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;
 - b. Is of such nature that although false, security for any payment of the pertinent Mortgage Loan is not thereby adversely affected;
 - 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.
- D. The Repurchase Price of the Mortgage Loan being repurchased shall be remitted by the Originator to the Authority with notice to the Authority of the amount of such remittance and the Mortgage Loan concerned.
- E. Upon written notification to the Authority of the Originator's compliance with all of the terms of this Section, 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.

- F. 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 Authority the required final documentation for inclusion of a Mortgage Loan in a Ginnie Mae, Freddie Mac, 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 Authority for each 30-day period thereafter that such Mortgage Loan File remains incomplete in any respect.
- G. Furthermore, if 180 days after the Closing Date of such Mortgage Loan, the Mortgage Loans remain unqualified for inclusion in a Ginnie Mae, Freddie Mac, or Fannie Mae Pool, the Originator hereby agrees to repurchase said Mortgage Loan not later than 10 days after notice from the Authority at a price equal to the Repurchase Price.
- H. 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.
- I. 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 30 days may be barred from participation in current and future programs of the Authority, of whatever type, in the sole discretion of the Authority.
- J. 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 Payment Defaults.

- A. First Payment Default ("FPD") is defined as any loan for which the Borrower(s) is delinquent for a period of at least 30 days with regard to the first payment due under a Mortgage Note and Mortgage following the sale of the related Loan to the Authority.
- B. Early Payment Default ("EPD") is defined as any loan for which the Borrower(s) is delinquent for a period of at least 90 days with regard to any of the initial four payments due under a Mortgage Note and Mortgage following the sale of the related Loan to the Authority.

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 Procedure 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 the Authority 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 the Authority 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. The Mortgage Loan is prepaid within 120 days after it is Purchased from the Originator; or
 - 3. A First Payment Default or 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).
 - 1. Each Originator further covenants and agrees that if any fee is assessed by Ginnie Mae, Freddie Mac, or Fannie Mae, 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.
 - 2. 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.
 - 3. Without limiting the foregoing and in addition thereto, with respect to Non-Qualifying Mortgage Loans described in section 4.10C above, each Originator hereby further covenants and agrees to refund to the Authority any Servicing Release Premium paid by the Authority.
 - 4. With respect to Non-Qualifying Mortgage Loans described in section 4.10C above, each Originator hereby further covenants and agrees to indemnify and hold the Authority 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 covenants and agrees that if the Originator has failed to repurchase or has notified the Authority they are unwilling or unable 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 immediately suspend the Originator from participation in the program.
- G. 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 4.10E.
- H. Additional obligations for early payoff loans. An early payoff loan is a Loan that is repaid in full within the first 120 days of the execution of the Mortgage Note by Borrower. With regard to an early payoff

loan, the Originator shall within 15 days after receipt of notice from the Authority, reimburse the Authority for any Service Release Premium paid by the Authority in regard to such loan.

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 terminate the Reservation of Funds applicable to the repurchased Mortgage Loan and reallocate the amount of such Reservation of Funds 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 Loans.

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.

- A. The Authority may periodically review the performance of the Originators, as reflected by the reports and such other evidence as may be presented to the Authority, to determine if the Originators are performing in accordance with the standards required by this Agreement.
- B. If the Authority, in its 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.
- C. 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 eligibility to origination Mortgage Loans for sale to the Authority under the Program is being terminated and the date on which such termination shall be effective.

Section 5.4 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.

Section 5.5 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 5.6 Review of Mortgage Loans Prior to Purchase.

- A. 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.
- B. Notwithstanding anything in this Agreement to the contrary, 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.
- C. 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.
- D. 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 5.7 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.

- A. Originators shall not have the right to resign from the obligations and duties hereby imposed on them.
- B. 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 6.2D, 6.2E, or 6.2F 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.

- A. 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.
- B. 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 that is adversely affected by such amendment, change, modification or alteration.

Section 7.2 Recordation of Agreement.

- A. 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 the properties subject to the Mortgage Loans are situated, and in any other appropriate public office or elsewhere.

- B. 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.**

- A. 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.
- B. 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 **Term 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.**

- A. 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.
- B. This Agreement is entered into by the Authority under and pursuant to the provisions of the Act.
- C. 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.

[Execution pages follow.]

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

ALABAMA HOUSING FINANCE AUTHORITY

By _____
Executive Director

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 _____
