

**THE INDUSTRIAL DEVELOPMENT AUTHORITIES OF THE
CITY OF PHOENIX, ARIZONA, AND THE COUNTY OF MARICOPA
SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAM OF 2004**

INVITATION AND APPLICATION TO PARTICIPATE

In order to participate in the Program, all information called for in this Invitation and Application to Participate (the executed Offer, Certification and Acknowledgement and the executed Origination, Servicing and Administration Agreement

The Industrial Development Authorities
of the City of Phoenix, Arizona, and the County of Maricopa

c/o Teresa Bond
George K. Baum & Company
Program Marketer
717 Seventeenth Street, Suite 2500
Denver, CO 80202-3354
bond@gkbaum.com

Organization Name of Lender Submitting This Application:

In order to insure your inclusion in the initial marketing materials for the initial series of the Program, the **deadline** for submission of this Application is **Noon, Phoenix Time, June 28, 2004**

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PART I. INVITATION

General Provisions

The Program. The Industrial Development Authorities of the City of Phoenix, Arizona, and the County of Maricopa (the “*Authorities*”) hereby invite you to apply to participate in their Single Family Mortgage Revenue Bond Program of 2004 (the “*2004 Program*”) for the purchase of mortgage loans (the “*Mortgage Loans*”)

The Authorities intend to issue multiple series of tax-exempt bonds in an aggregate amount of up to \$100 million over the next twelve months. (“*Bonds*”). The Bonds are expected to be issued in multiple series of between \$2.5 million and \$10 million dollars (each, a “*Commitment Lot*”). The Authorities anticipate that the first Commitment Lot will be released on approximately July 1, 2004 and be immediately available to purchase Mortgage Loans. Any lending institution that submits an application is eligible, upon acceptance, to participate in the 2004 Program and will not be required to reapply in connection with each additional Commitment Lot under the 2004 Program. The Authorities will use the proceeds of the Bonds to finance the acquisition of Mortgage Loans on existing or newly constructed single family residences, or the acquisition and rehabilitation of single family residences, in the Eligible Area. The term “Eligible Area” means throughout Maricopa County, including areas within the City of Phoenix and all other incorporated cities and towns in Maricopa County, except within any city or town that exercises its statutory right to prevent 2004 Program funds from being used within its borders.

This Invitation and Application to Participate. Lending institutions wishing to participate in the 2004 Program are invited to acknowledge and agree to the terms of the Authorities’ Origination, Servicing and Administration Agreement, dated as of July 1, 2004, and the Program Manual, which may be amended from time to time, which control the origination of Mortgage Loans under the 2004 Program (the “*OSAA*”). The OSAA and Program Manual are available on the website of US. Bank Home Mortgage-MRBP Division, formerly The Leader Mortgage Company (<http://www.hdsoftware.com/usbhm-mrbp>) (“*McWeb*”). Capitalized terms used but not otherwise defined herein shall have the meanings assigned thereto in the OSAA.

To Participate. In order to participate in the 2004 Program, a lending institution must submit:

- (a) an executed Offer, Certification and Acknowledgement included as Part II of this Invitation and Application to Participate (the “*Offer*”); and
- (b) six (6) executed originals of the signature page of the OSAA, included as an attachment to this Invitation and Application.

The information in this Invitation and Application to Participate is intended solely as a summary of the 2004 Program, and lending institutions wishing to participate in the 2004 Program should also review the final OSAA and the Program Manual found on McWeb, (collectively, the “Program Documents”).

Master Servicer. The Authorities have appointed U.S. Bank Home Mortgage-MRBP Division, formerly The Leader Mortgage Company (the “*Master Servicer*”) to act as Master Servicer of the Mortgage Loans under the 2004 Program. Lending institutions participating in the 2004 Program (the “*Lenders*”) will be required to sell Mortgage Loans originated under the 2004 Program to the Master Servicer as described in the OSAA.

McWeb, the Master Servicer’s internet-based reservation system (<http://www.hdsoftware.com/usbhm-mrbp>), is designed specifically to facilitate the assigning and tracking of reservations of funds available under the 2004 Program. In order to use McWeb, each Lender will need the following:

- ? PC Computer -- with Internet access from any reliable provider.
- ? Internet Browser - Internet Explorer or Netscape 4.0 or higher.
- ? Adobe Reader - This software can be downloaded for free from McWeb.
- ? Username and Password – lenders apply for their password via McWeb.
- ? Email Address - for notices, updates, etc.
- ? Printer - to print confirmations and forms.

The Lenders. The Mortgage Loans will be originated by the Lenders. Each Lender must, during any period such Lender will originate Mortgage Loans under the 2004 Program, (a) be a Fannie Mae or GNMA-approved seller and servicer, (b) be an FHA, VA and USDA-RD mortgagee, (c) have an operative office in Arizona, and (d) be qualified to do business in Arizona. The Authorities may permit nonprofit organizations to participate in the 2004 Program through agreements with Lenders having the qualifications set forth in the preceding sentence. In addition, each Lender must demonstrate to the satisfaction of the Authorities adequate financial strength, experience and ability to originate Mortgage Loans for the 2004 Program.

Mortgage Loan Requirements. Qualifying Mortgage Loans must be FHA insured, VA guaranteed, USDA-RD guaranteed or otherwise eligible for purchase, pooling or assignment by GNMA and Fannie Mae, all as more completely described in the OSAA and in the Commitment Lot Notice relating to each subseries of Bond. As soon as practicable after the origination of each Mortgage Loan pursuant to the OSAA, the Lender will sell the Mortgage Loan to the Master Servicer. Mortgage Loans must be made to Mortgagors whose Household Income does not exceed the maximum Household Income specified in the OSAA. Qualifying Mortgage Loans are subject to certain housing purchase price limitations, insurance requirements and other conditions. Any residence acquired must be the principal residence of the Mortgagor. Each Mortgagor must not have held a present ownership interest in a principal residence at any time during the last three years, except for Mortgage Loans originated in a Targeted Area.

Assistance Features. Each Commitment Lot will provide funds to finance Mortgage Loans that will provide a fixed rate of interest and a 5% grant to the Mortgagor. Each Mortgage Lender shall advance the down payment and closing cost assistance equal to 5% of the principal amount of each Mortgage Loan originated by the Mortgage Lender. At loan purchase, the Mortgage Lender will be reimbursed for the down payment assistance advanced on behalf of the Authorities.

Availability of Funds. Proceeds of each Commitment Lot will be made available to Mortgage Lenders on a first-come, first-serve basis. Lenders will be notified of the availability of funds via a Commitment Lot Notice which shall be sent to each lender via electronic mail, the terms of which shall be described on the Servicer/Administrator's website.

Reservation and Submission of Loan for Purchase. Lenders shall have a maximum of four (4) months from the date a Commitment Lot is set to make reservations, close loans, deliver, clear exceptions and have Mortgage Loans purchased by the Master Servicer. Mortgage Loans reserved in McWeb must be Underwriter Certified within 45 days of reservation. Lenders must have Mortgage Loans closed and delivered to the Master Servicer within 85 days of reservation and all exceptions cleared and purchased by the Master Servicer within the origination period. Loans not meeting these timelines are subject to cancellation. **All Mortgage Loans are subject to the final purchase date as specified in the Commitment Lot Notice under which the Mortgage Loan was reserved.**

Origination Period/Commitment Lot Terms. The interest rate for Mortgage Loans to be delivered under a given Commitment Lot will be specified in the Commitment Lot Notice. In addition, the origination Period and the final date of the Mortgage Loan Purchase will be defined in the Commitment Lot Notice related to each Commitment Lot.

Lender Compensation. The Lender will retain the Origination Fee paid by each Mortgagor and the 1% Discount Point collected from either the Mortgagor or the Seller. At loan purchase, Mortgage Lenders will be paid 0.25% of the Servicing Release Premium as additional compensation to earn a total of 2.25% per loan.

Limitations That Apply to the 2004 Program. The following limitations will apply to the 2004 Program:

(a) During the first 60 days at least 30% of the total funds available to finance Mortgage Loans must be available for Mortgagors whose income is below the median income, currently \$45,107. During the first three months, at least 10% of the total funds available to finance Mortgage Loans must be available for Mortgage Loans for manufactured housing. The Authorities establish Commitment Lots at the times and in the amounts necessary to satisfy these requirements.

(b) The City of Phoenix and the County of Maricopa do not contemplate limiting the number or dollar volume of residences financed within the City of Phoenix but reserve the right to add a limitation, with prior notice to the lenders.

Program Summary. Attached as Part III of this document

THE DESCRIPTION HEREIN OF ANY OF THE TERMS OF THE 2004 PROGRAM IS QUALIFIED IN ITS ENTIRETY BY THE PROGRAM DOCUMENTS. IN THE EVENT OF A CONFLICT BETWEEN THE TERMS HEREOF AND THE TERMS OF ANY OF THE PROGRAM DOCUMENTS, THE TERMS OF THE PROGRAM DOCUMENTS SHALL GOVERN. THE AUTHORITIES RESERVE THE RIGHT TO REJECT ANY AND ALL APPLICANTS.

Program Participation Procedure

Submission of Application. Each lending institution desiring to become a Lender in the 2004 Program is required to submit to the Authorities an executed original of the Offer, Certification and Acknowledgement and six (6) original signature pages of the Origination, Servicing and Administration Agreement. The application packet shall be submitted to:

Teresa Bond
George K. Baum & Company
Program Marketer
717 Seventeenth Street, Suite 2500
Denver, CO 80202-3354
bond@gkbaum.com

General Information. Any questions with respect to the 2004 Program should be directed to:

Beth Siville
George K. Baum & Company
Program Marketer
(800) 722-1670 extension 511

OR

Patt Denihan
Denihan and Associates
(877) 249-5152

Dated: June 11, 2004.

THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE CITY OF PHOENIX, ARIZONA

and

THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE COUNTY OF MARICOPA

PART II: OFFER, CERTIFICATION AND ACKNOWLEDGEMENT

The undersigned (the “*Lender*”) hereby offers to originate and sell Mortgage Loans (on a first-come, first-served basis subject to federal and State law restrictions) with respect to the Single Family Mortgage Revenue Bond Program of 2004 (the “*2004 Program*”) of The Industrial Development Authorities of the City of Phoenix, Arizona, and the County of Maricopa (the “*Authorities*”). Capitalized and otherwise undefined terms used herein shall have the meanings assigned thereto in the Origination, Servicing and Administration Agreement dated as of July 1, 2004, which may be amended from time to time (the “*OSAA*”).

The Lender certifies that it has no knowledge of any information regarding any matters that may materially and adversely affect its ability to perform its obligations under the 2004 Program.

The Lender acknowledges the following:

1. Once submitted, this offer to originate and sell Mortgage Loans may not be revoked or withdrawn by the Lender without the prior written consent of the Authorities.
2. It understands the terms of the 2004 Program, which are summarized under the heading “General Provisions” in the Invitation included as Part I of this Invitation and Application to Participate and Part III the Program Summary attached hereto, each of which are incorporated by reference herein.
3. It will be bound by the terms of the Authorities’ OSAA and the Program Manual, which may be amended from time to time.
4. The Authorities reserve the right to permit additional lending institutions to participate in the 2004 Program at any time.
5. The Lender acknowledges that if it closes a Mortgage Loan to be purchased in the program before the first Commitment Lot becomes available, (currently expected to be July 1, 2004), the Lender assumes the risk that the Master Servicer will not purchase such Mortgage Loan.
6. Receipt of the Lender’s Application (as defined in the Invitation included as Part I of this Invitation and Application to Participate) does not obligate the Authorities to allow the Lender to participate in the 2004 Program. The Authorities reserve the right to reject any and all Applications.

Notice is hereby given of the provisions of Arizona Revised Statutes Section 38-511, as amended. By this reference, the provisions of said statute are incorporated herein to the extent of their applicability to contracts of the nature of this Offer, Certification and Acknowledgement.

This Offer, Certification and Acknowledgement is dated as of _____, 2004.

[Name of Lending Institution]

Signature

By _____

(Type or Print Name)

Its _____

(Type or Print Office Held or Position)

This Offer, Certification and Acknowledgement is acknowledged and accepted by the undersigned. The Lender will be notified by Commitment Lot Notice when the first Commitment Lot is set and available on a first-come, first-served basis (subject to federal and state law restrictions).

THE INDUSTRIAL DEVELOPMENT
AUTHORITY OF THE CITY OF
PHOENIX, ARIZONA

THE INDUSTRIAL DEVELOPMENT
AUTHORITY OF THE COUNTY OF
MARICOPA

By _____
Title: _____

By _____
Title: _____

PART III

CITY OF PHOENIX IDA AND MARICOPA COUNTY IDA

2004 SINGLE FAMILY FORWARD DELIVERY BOND PROGRAM

PROGRAM SUMMARY

June 11, 2004

General

Available Funding	\$100,000,000
Program Start Date	July 1, 2004
Program Area	Throughout Maricopa County including the City of Phoenix.
Loan Types	Fixed payment first loans that are FHA, including VA, USDA-RD, HUD-guaranteed (Section 184). FHA loans include 203(b), 234(c), and 203(k). Potential to include Fannie Mae-eligible, including Fannie Mae 97%, HFA Home, HFA Community Solutions, My Community, Homestyle (Rehab) or any other Fannie Mae-eligible program. Acquisition/Rehabilitation Loans (FHA 203(k) [or Fannie Mae's Homestyle]) are eligible for purchase <u>prior</u> to the completion of the rehabilitation.
Loan Term	30-year.

Reservation and Delivery Process

Interest Rate	The interest rate for each Commitment Lot will be announced electronically to all lenders.
Commitment Lot Notice	Lenders will be notified electronically of each new Commitment Lot, including the loan interest rate and the date by which loans must be delivered.
Reservations/Delivery	Lenders reserve loans through the Master Servicer's web site. Loans must be underwritten within 45 days of reservation and delivered for purchased within 85 days of the date of Commitment Lot Notice. All loans must be purchased by the date specified in the Commitment Lot notice applicable to the Mortgage Loan.
Loan Purchase	All loans must be delivered to the Master Servicer no later than 85 days after the Commitment Lot Notice.
Continued Participation	Failure by a lender to notify Master Servicer of reservation cancellations in a timely manner (so that funds can be made

available for other borrowers) can result in the suspension of the Lender from the Program.

Setting Points and Fees

Downpayment Assistance/Lender Advance	Each Mortgagor will receive cash assistance equal to 5% of the final Mortgage Loan amount (the “Downpayment Grant”).								
	The Lender will advance the Authorities’ Downpayment Grant at the close of escrow for the benefit of the Mortgagor solely for his/her downpayment, the Origination Fee, and nonrecurring or recurring closing costs all as in accordance with FHA, VA, USDA-RD or Fannie Mae program guidelines.								
	The 5% Downpayment Grant will constitute a “grant” in accordance with FHA guidelines and must not result in any cash back to the Mortgagor.								
Buyer/Seller Discount Points	A 1% Discount Point will be charged to the Mortgagor or the Seller and retained by the Lender as part of its compensation. Additional discount points may <u>not</u> be charged either to the Mortgagor or to the Seller.								
Loan Purchase Price	100.25% of the unpaid principal balance, plus 5% for the Downpayment Grant.								
Lender Compensation	1% Origination Fee, 1% Discount Point and sell the Loans for 100.25%, for a total of 2.25% in compensation.								
	Lenders may charge fees and expenses that are reasonable and customary. Lenders may charge document preparation fees so long as such fees do not exceed the usual and reasonable fees for document preparation that would be charged if the financing was not provided with tax-exempt bonds.								
	At loan purchase, the Master Servicer will deduct \$290 in fees from the Mortgage Lender at loan purchase. These fees may be charged to the borrower/seller in accordance with FHA, VA, USDA-RD and Fannie Mae Guidelines.								
	<table><tr><td>Funding and Review Fee:</td><td>\$135</td></tr><tr><td>Compliance Review:</td><td>75</td></tr><tr><td>Tax Service Fee:</td><td><u>65</u></td></tr><tr><td>TOTAL</td><td>\$275</td></tr></table>	Funding and Review Fee:	\$135	Compliance Review:	75	Tax Service Fee:	<u>65</u>	TOTAL	\$275
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Compliance Review:	75								
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TOTAL	\$275								

Eligibility and Other Terms

Income Limit	<u>Maximum Family Income</u>	<i>2 or less</i>	<i>3 or more</i>
	Non-Target Area Loans	\$58,600	\$67,390
	Target Area Loans	\$67,390	\$67,390
Income Information	The Mortgagor's annualized Household Income cannot exceed the established Program Income Limits as set forth above. Under federal tax law, qualifying income is based on the annualized gross income of the Mortgagor and any person 18 years of age or older who is expected to live in the home whether or not secondarily liable on the Loan. The gross monthly income is the sum of the monthly pay; any additional income from sources including but not limited to overtime, part-time employment, bonuses, dividends, disability, VA compensation, alimony, child support, public assistance, sick pay, social security benefits, unemployment compensation, income received from trusts, business income and rental income. <u>The Program's definition of income may not always be the same as the Lender's underwriting income used to qualify the Mortgagor.</u>		
Loan Underwriting	In accordance with FHA, VA, USDA-RD, Fannie Mae guidelines.		
Acquisition Cost Limits	<i>Non-Targeted Area</i>	<i>Targeted Area</i>	
	\$189,600	\$231,800	
Eligible Mortgagors	<p>Except for Mortgagors acquiring homes in Targeted Areas, the Mortgagor may not have owned a principal residence during the three years preceding the origination of the Mortgage Loan. The Mortgagor must occupy the property within 60 days of the close of escrow, must occupy the property as their primary residence, and not intend to use the property for investment or income producing purposes.</p> <p>The Mortgagor must not have received a mortgage loan financed, directly or indirectly, from the proceeds of bonds issued by the Authorities during the three years preceding the origination of the Mortgage Loan.</p>		
Eligible Properties	Single-family, owner-occupied, residential dwellings, including single family detached housing, PUDs, duplexes (subject to certain restrictions), condominiums, townhouses and manufactured homes.		
Target Areas	In target areas there is no first time homebuyer requirement. Higher purchase prices are allowed.		
	No set-aside required for each Commitment Lot but overall set-aside compliance required for Program as a whole.		
Federal Recapture	Mortgagors will be subject to the federal recapture tax under certain conditions if the property is sold within the first nine years.		
Assumption/Refinance	Assumable by another qualified Mortgagor as long as such		

	Mortgagor meets the Program terms and conditions at the time of assumption.
Temporary Buydown	Permitted, subject to FHA or Fannie Mae guidelines. The Downpayment Grant proceeds may not be used for this purpose.
Co-Signers/Co-Mortgagors	Co-signers – someone who signs the Note but not the Mortgage – are permitted in accordance with FHA/VA/USDA-RD/ Fannie Mae guidelines. Non-occupant co-Mortgagors are not permitted.