

---

---

ORIGINATION, SERVICING AND ADMINISTRATION AGREEMENT

FOR THE

SINGLE FAMILY MORTGAGE REVENUE BONDS  
(GNMA AND FANNIE MAE MORTGAGE-BACKED SECURITIES PROGRAM)  
SERIES 2004

OF

THE INDUSTRIAL DEVELOPMENT AUTHORITY  
OF THE CITY OF PHOENIX, ARIZONA,  
and  
THE INDUSTRIAL DEVELOPMENT AUTHORITY  
OF THE COUNTY OF MARICOPA

DATED AS OF AUGUST 1, 2004

## TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I	Definitions .....2
Section 1.01.	Definitions.....2
Section 1.02.	Forms .....18
Section 1.03.	Recitals, Table of Contents, Titles, and Headings .....18
Section 1.04.	Interpretation.....19
ARTICLE II	Representations, Warranties, and Covenants .....19
Section 2.01.	Representations, Warranties, and Covenants of the Authorities.....19
Section 2.02.	Representations, Warranties, and Covenants of the Servicer/ Administrator .....20
Section 2.03.	Representations, Warranties, and Covenants of the Participants.....22
Section 2.04.	Representations, Warranties, and Covenants Relating to the Exclusion from Gross Income.....25
Section 2.05.	Notice to Servicer/Administrator .....27
ARTICLE III	Participation in the Program.....27
Section 3.01.	Participation .....27
Section 3.02.	Notice of Availability of Funds.....27
Section 3.03.	Down Payment Assistance.....28
Section 3.04.	Setting Commitment Lots.....28
ARTICLE IV	Origination and Closing of Mortgage Loans .....29
Section 4.01.	Agreement to Originate and Sell.....29
Section 4.02.	Issuance of Commitments; Federal and State Law Reservations; Limitations on Conventional Mortgage Loans .....30
Section 4.03.	Origination Procedures; Mortgage Loan Terms .....32
Section 4.04.	Prohibition of Discrimination .....35
Section 4.05.	Mortgage Loan Submission and Purchase.....35
Section 4.06.	GNMA Certificate Submission and Purchase.....37
Section 4.07.	Sale of Fannie Mae Certificates .....38
Section 4.08.	Reserved.....40
Section 4.09.	Maintenance of Mortgage Loan File .....40
Section 4.10.	Limited Liability .....40
Section 4.11.	Defects .....40

**TABLE OF CONTENTS**  
(continued)

	<u>Page</u>
ARTICLE V      Assignment of Servicing .....	42
Section 5.01.      Participant to Assign Servicing .....	42
Section 5.02.      Participant Requirements .....	42
ARTICLE VI      Duties of the Servicer/Administrator .....	42
Section 6.01.      General .....	42
Section 6.02.      Standards of Administration .....	42
Section 6.03.      Reserved .....	42
Section 6.04.      Servicer/Administrator to Review Mortgage Loans .....	43
Section 6.05.      Servicer/Administrator to Act as Servicer/Administrator .....	43
Section 6.06.      Standards of Servicing .....	43
Section 6.07.      Release of Property from the Lien of a Mortgage .....	43
Section 6.08.      Liability of the Servicer/Administrator for Expenses .....	44
Section 6.09.      Claims Against Insurers .....	44
Section 6.10.      Servicer/Administrator to Satisfy FHA, VA, PMI Insurer, Fannie Mae and GNMA Requirements .....	44
Section 6.11.      Assumption Agreements .....	44
Section 6.12.      Reports .....	45
Section 6.13.      Reports to the Internal Revenue Service .....	46
Section 6.14.      Servicer/Administrator's Insurance Policies .....	47
Section 6.15.      Servicer/Administrator's Servicing Release Premium and Compensation .....	47
ARTICLE VII      Duties of the Authorities .....	48
Section 7.01.      Issuance of Bonds .....	48
Section 7.02.      Issuance of Notices .....	48
Section 7.03.      Purchase of Certificates .....	48
Section 7.04.      Review of Participant's and Servicer/Administrator's Performance .....	48
ARTICLE VIII      Termination and Liabilities .....	49
Section 8.01.      Participant Not to Resign .....	49
Section 8.02.      Involuntary Termination of Participant .....	49
Section 8.03.      Participant's Excused Nonperformance .....	50

**TABLE OF CONTENTS**  
(continued)

	<u>Page</u>
Section 8.04. Access to Participant’s Records .....	50
Section 8.05. Servicer/Administrator Not to Resign .....	51
Section 8.06. Involuntary Termination of Servicer/Administrator .....	51
Section 8.07. Transfer of Terminated Servicer/Administrator’s Duties .....	52
Section 8.08. Servicer/Administrator’s Excused Nonperformance.....	52
Section 8.09. Agreement to Pay Attorneys’ Fees.....	53
Section 8.10. No Liability for Removal of Participant or Servicer/Administrator .....	53
Section 8.11. No Remedy Exclusive .....	53
Section 8.12. Remedies.....	53
ARTICLE IX Miscellaneous Provisions .....	54
Section 9.01. Amendments, Changes, and Modifications .....	54
Section 9.02. Limitation on Rights of Bondholders .....	54
Section 9.03. Governing Law.....	54
Section 9.04. Notices .....	54
Section 9.05. Severability .....	54
Section 9.06. Further Assurances and Corrective Instruments .....	54
Section 9.07. Term of Agreement .....	54
Section 9.08. No Rights Conferred on Others.....	54
Section 9.09. Limitation on Liability of Parties .....	55
Section 9.10. Limitation on Liability of Directors, Officers, Employees, and Agents of a Party .....	55
Section 9.11. Survival of Obligations and Covenants .....	55
Section 9.12. Counterparts.....	55
Section 9.13. Headings .....	55
Section 9.14. Reports and Payments Due on Weekends and Holidays .....	55
Section 9.15. Trustee’s Obligations.....	55
Section 9.16. Reliance on Authorities of Facts or Certificates .....	56
Section 9.17. Immunity of Authorities’ Directors, Officers, Counsel, Advisors and Agents.....	56
Section 9.18. Notice of A.R.S. Section 38-511.....	56

**TABLE OF CONTENTS**  
(continued)

Page

Exhibit A -	Participants as of Bond Closing Date	
Exhibit B -	Affidavit of Cosignor or Guarantor	
Exhibit C -	[Reserved]	
Exhibit D -	[Reserved]	
Exhibit E-1 -	Notices to Buyers	
Exhibit E-2 -	About Recapture Tax	
Exhibit F -	Mortgagor Affidavit/Seller/Builder Affidavit/Lender Certification	
Exhibit G -	Tax Exempt Rider to Security Instrument	
Exhibit H -	Servicer/Administrator's Certificate	
Exhibit I -	List of Pool Documentation Package (GNMA Certificates)	
Exhibit J -	Recapture Tax Notice to Mortgagor	
Exhibit K -	Qualified Mortgage Bond Information Report	
Exhibit L -	Commitment Lot Notice	
Exhibit M -	Lender Commitment Lot Notice	

## ORIGINATION, SERVICING AND ADMINISTRATION AGREEMENT

THIS ORIGINATION, SERVICING AND ADMINISTRATION AGREEMENT (the “*Agreement*”), dated as of August 1, 2004, by and among the lending institutions listed on Exhibit A and other lending institutions entering into this Agreement after the effective date hereof (hereinafter referred to individually as the “*Participant*” and collectively as the “*Participants*”); U.S. BANK N.A., a national banking association, acting through U.S. Bank Home Mortgage-MRBP Division (hereinafter referred to as the “*Servicer/Administrator*”), THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA (the “*Phoenix Authority*”), a nonprofit corporation designated a political subdivision of the State of Arizona (the “*State*”) incorporated with the approval of the City of Phoenix, Arizona, and THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF MARICOPA (the “*Maricopa Authority*” and, together with the Phoenix Authority, the “*Authorities*”), a nonprofit corporation designated a political subdivision of the State incorporated with the approval of Maricopa County, Arizona;

### WITNESSETH:

WHEREAS, the Act authorizes the Authorities to issue revenue bonds to provide the funds to finance low interest rate mortgage loans;

WHEREAS, the Authorities have determined to implement their City of Phoenix/Maricopa County Single Family Mortgage Revenue Bond Program of 2004 (the “*Program*”) to assist persons of low and moderate income residing or intending to reside within the Eligible Loan Area;

WHEREAS, the Phoenix Authority has determined to issue its Single Family Mortgage Revenue Bonds (GNMA and Fannie Mae Mortgage Backed Securities Program) Series 2004A (the “*2004A Bonds*”) and the Maricopa Authority has determined to issue its Single Family Mortgage Revenue Bonds (GNMA and Fannie Mae Mortgage Backed Securities Program) Series 2004B (the “*2004B Bonds*” and, together with the 2004A Bonds, the “*Bonds*”) to obtain funds to acquire certain Certificates (as hereafter defined) backed by qualified mortgage loans under the Program, all under and in accordance with the Constitution and laws of the State;

WHEREAS, sections 103, 141, 143, and 146 through 149 of the Internal Revenue Code of 1986, as amended (the “*Code*”), provide that the interest on obligations issued by or on behalf of a state or a political subdivision thereof, the proceeds of which are to be used to finance owner-occupied residences, shall be exempt from federal income taxation if such issue meets certain requirements stated in said sections; and

WHEREAS, in order to carry out the Program, the Authorities, the Servicer/Administrator, and the Participants have determined to enter into this Agreement pursuant to which: (a) the Authorities agree to use their best efforts to issue the Bonds in an amount sufficient to enable the Authorities to acquire certain Certificates backed by qualified home mortgage loans (the “*Mortgage Loans*”) made to Eligible Borrowers (as defined herein) to finance the purchase of dwellings at a purchase price not to exceed the Maximum Acquisition Cost (as defined herein); (b) the Servicer/Administrator agrees to accept general responsibility for administering the Program, monitoring the Participants’ performance, purchasing the Mortgage Loans from the

Participants, selling Certificates backed by the Mortgage Loans to the Trustee, servicing the Mortgage Loans, preparing certain periodic reports, and performing certain other duties in connection with the Program; (c) the Participants agree to originate the Mortgage Loans and sell the Mortgage Loans to the Servicer/Administrator; and (d) the Authorities, the Servicer/Administrator, and the Participants each agree to perform certain actions and to follow reasonable procedures to ensure compliance with section 143 of the Code;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements contained herein, each Participant, the Servicer/Administrator and the Authorities severally agree as follows:

## ARTICLE I

### DEFINITIONS

*Section 1.01. Definitions.* All words and phrases defined in this Article I (except as expressly provided otherwise herein or unless the context otherwise requires) shall have the respective meanings specified in this Article I for all purposes of this Agreement.

“2004A Bonds” means the Phoenix Authority’s Single Family Mortgage Revenue Bonds (GNMA and Fannie Mae Mortgage Backed Securities Program) Series 2004A.

“2004B Bonds” means the Maricopa Authority’s Single Family Mortgage Revenue Bonds (GNMA and Fannie Mae Mortgage Backed Securities Program) Series 2004B.

“Acquisition Cost” means the cost to a Mortgagor of acquiring a Residence from the Seller as a completed residential unit, including:

(a) all amounts paid, either in cash or in kind, by the Mortgagor (or a related party or for the benefit of the Mortgagor) to the Seller (or a related party or for the benefit of the Seller) as consideration for the Residence. A Residence includes property such as light fixtures or wall-to-wall carpeting, so long as such property is considered to be a fixture under State law. If the Mortgagor purports to separately purchase such fixtures, the cost of those fixtures must be included in the Acquisition Cost. Property such as furniture or appliances is not considered part of a Residence so long as such property is not considered to be a fixture under State law and the cost of acquiring such items is not included in Acquisition Cost (unless the cost of acquiring such items is in excess of fair market value, in which case the amount of the excess must be included in the Acquisition Cost of the Residence). Thus, if the Mortgagor agrees to purchase the refrigerator, washer, and dryer from the Seller for \$1,000 more than the fair market value of such items, the additional \$1,000 must be included in the Acquisition Cost. In addition, if in connection with the purchase of a Residence the Mortgagor agrees to pay or assume liability for a debt of the Seller, the amount of such debt must be included as part of the Acquisition Cost;

(b) if a Residence is incomplete or in need of rehabilitation, the reasonable cost of completing or rehabilitating the Residence, whether or not such cost is financed with the proceeds of the Mortgage Loan; and

(c) if the Residence is purchased subject to a ground lease, the capitalized value of the ground rent using a discount rate equal to the Bond Yield.

Acquisition Cost does not include (i) usual and reasonable settlement costs or financing costs; (ii) the value of services performed by the Mortgagor or members of the Mortgagor's family in completing the Residence; (iii) the cost of land that has been owned by the Mortgagor for at least two years prior to the date on which construction of the Residence begins; (iv) amounts paid by the Mortgagor (or a related party for the benefit of the Mortgagor) for non fixtured personal property; (v) amounts paid for painting, minor repairs, floor refinishing or other fix up expenses; and (vi) the amount of financing provided under a "qualified program" under section 143(k)(10) of the Code, but only if the Residence is located in a high housing cost area, as defined in section 143(f)(5) of the Code. Settlement costs include titling and transfer costs, title insurance, survey fees, or other similar costs. Financing costs include credit reference fees, legal fees, appraisal expenses, "points" that are paid by the Mortgagor (but not the Seller, even though borne by the Mortgagor through a higher Acquisition Cost) or other costs of financing the Residence. However, such amounts will be excluded in determining Acquisition Cost only to the extent that the amounts do not exceed the usual and reasonable costs which would be paid by a buyer where financing is not provided through a qualified mortgage bond program. For example, if the Mortgagor agrees to pay to the Seller more than a pro rata share of property taxes, such excess shall be treated as part of the Acquisition Cost of a Residence. For purposes of determining the value of services performed by the Mortgagor's family in completing the Residence, the family of an individual shall include only the individual's brothers and sisters (whether by the whole or half blood), spouse, ancestors, and lineal descendants. For example, where the Mortgagor builds a Residence alone or with the help of family members, the Acquisition Cost includes the cost of materials provided and work performed by subcontractors (whether or not related to the Mortgagor) but does not include the imputed cost of any labor actually performed by the Mortgagor or a member of the Mortgagor's family in constructing the Residence. Similarly, where the Mortgagor purchases an incomplete Residence the Acquisition Cost includes the cost of material and labor paid by the Mortgagor to complete the Residence but does not include the imputed value of the Mortgagor's labor or the labor of the Mortgagor's family in completing the Residence.

"Act" means Title 35, Chapter 5, Arizona Revised Statutes, Sections 35-701 *et seq.*, as amended.

"*Affidavit of Cosignor or Guarantor*" means an affidavit in the form of Exhibit B, which is to be executed by the cosignors and/or guarantors of a Mortgage Loan, if any, in connection with each Mortgage Loan purchased by the Servicer/Administrator hereunder.

"*Affidavit of Mortgagor*" means an affidavit in the form of Exhibit F, which is to be executed by the Mortgagor in connection with each Mortgage Loan purchased by the Servicer/Administrator hereunder.

"*Affidavit of Seller*" means an affidavit in the form of Exhibit F, which is to be executed by the Seller/Builder in connection with each Mortgage Loan purchased by the Servicer/Administrator hereunder.



“*Agreement*” means this Origination, Servicing and Administration Agreement entered into by and among the Participants, the Servicer/Administrator and the Authorities, and all exhibits, amendments, or supplements hereto.

“*Applicable Median Family Income*” means the median gross income for the area (or statewide median gross income, if higher) in which such Residence is located, as published from time to time by the Department of Housing and Urban Development pursuant to Section 8 of the United States Housing Act of 1937 or as otherwise determined pursuant to said Section.

“*Assumption and Release Agreement*” means a written agreement in the form prescribed by the Servicer/Administrator, entered into pursuant to Section 6.11 of this Agreement.

“*Authorities*” means, collectively, the Phoenix Authority and the Maricopa Authority.

“*Authority Documents*” means, collectively, the Indenture, this Agreement, the Bond Purchase Contract, the Tax Agreement and any other agreement, contract or instrument to be executed by the Authorities in connection with the issuance of the Bonds.

“*Authority Fee*” shall have the meaning given to such term in the Indenture.

“*Authority Indemnified Party*” or “*Authority Indemnified Parties*” means the Authorities, their past, present and future directors, officers, counsel, advisors and agents, and the County and the City, their past, present and future members of the County Supervisors and City Council, respectively, employees and agents, individually and collectively.

“*Average Area Purchase Price*” means with respect to a Residence, the safe harbor average area purchase price figures most recently published by the Department of the Treasury pursuant to section 143(e) of the Code for the State of Arizona or such higher limits as approved by Bond Counsel. Such figures may change from time to time as new data is available.

“*Beneficial Owner*” means Fannie Mae.

“*Bonds*” means, collectively, the 2004A Bonds and the 2004B Bonds.

“*Bondholders*” means the registered owners of the Bonds as shown on the registration books kept by the Trustee.

“*Bond Closing Date*” means August 5, 2004.

“*Bond Counsel*” means Squire, Sanders & Dempsey L.L.P. or such other firm of nationally recognized bond counsel as the Authorities select that is experienced in the issuance of tax-exempt revenue bonds under the exemptions provided under Section 103 of the Code.

“*Bond Purchase Contract*” means the Purchase Contract, dated August 5, 2004, among the Authorities and the Beneficial Owner.

“*Bond Yield*” means the yield on the Bonds as determined by the Authorities in accordance with section 143(g)(2)(C) of the Code and applicable regulations thereunder.

“*Business Day*” means any day of the week other than Saturday, Sunday, or a day that is in the State a legal holiday or a day on which banking institutions in the State or the State of New York are authorized or obligated by law or executive order to close.

“*Central Paying and Transfer Agent*” or “*CPTA*” means JPMorgan Chase Bank.

“*Certificate Acquisition Date*” means the first Business Day of any month (or such other day as mutually agreed to by the Authorities and the Beneficial Owner) during the Certificate Purchase Period when a Certificate is sold to the Trustee pursuant to the Indenture and Section 4.06 or Section 4.07 hereof.

“*Certificate Purchase Price*” means the Fannie Mae Certificate Purchase Price or the GNMA Certificate Purchase Price, as applicable.

“*Certificate Purchase Period*” means the period from January 1, 2005, through August 1, 2006, as it may be extended in accordance with the Indenture.

“*Certificate of Participant*” means the certificate in the form of Exhibit F, with any changes thereto approved by the Servicer/Administrator (with the advice of Bond Counsel) and provided to Participants by the Servicer/Administrator that is to be executed by the Participant in connection with each Mortgage Loan purchased by the Servicer/Administrator hereunder.

“*Certificate of Servicer/Administrator*” means the certificate substantially in the form of Exhibit H, which is to be executed by the Servicer/Administrator in connection with each Mortgage Loan purchased hereunder.

“*Certificates*” means Fannie Mae Certificates and GNMA Certificates.

“*City*” means the City of Phoenix, Arizona.

“*City Council*” means the City Council of the City.

“*Closing*” means the execution of a Mortgage Note and Mortgage by an Eligible Borrower and the concurrent origination and funding of a Mortgage Loan by a Participant pursuant to Section 4.03 of this Agreement.

“*Closing Costs*” means prepaid taxes and insurance premiums, origination and discount points, guaranty fees, credit report fees, survey fees, appraisal fees, inspection fees, title insurance premium, abstract and attorney’s fees, escrow and courier fees, recording fees, and similar fees, but only if the fees and premiums do not exceed the reasonable and customary amounts charged by the Participant for mortgage loans not funded from the proceeds of tax-exempt bonds.

“*Closing Date*” means, with respect to a Closing, the date of such Closing.

“*Code*” means the Internal Revenue Code of 1986, as amended, and applicable regulations thereunder.

“*Commitment*” means a binding written commitment by a Participant, in the form customarily used by the Participant in its owner-occupied home lending practice or in a form customarily used in the mortgage lending industry as may be prescribed from time to time by the Authorities, to a particular Eligible Borrower 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 Participant by the Authorities.

“*Commitment Lot*” means the Commitment Lot Amount that is available to purchase Certificates having the same Pass-Through Rate.

“*Commitment Lot Amount*” means the dollar amount of a Commitment Lot established by the Authorities, the Beneficial Owner and the Financial Advisor as shown on the Commitment Lot Notice.

“*Commitment Lot Notice*” means a notice to Participants from the Authorities, identifying the Commitment Lot Amount and the Mortgage Loan Rate, substantially in the form of Exhibit L.

“*Condominium Development*” means a real estate development: (i) formed pursuant to the condominium statutes of the State and a recorded declaration and other constituent documents; (ii) the unit owners of which have title to a unit in a development, and may have the right to the exclusive use of certain limited common areas; and (iii) the common areas of which are administered and maintained by, but not owned by, an owners association, which may levy assessments against each unit estate.

“*Conventional Mortgage Loan*” means a Mortgage Loan other than an FHA Mortgage Loan or a VA Mortgage Loan satisfying the requirements of Fannie Mae.

“*County*” means Maricopa County, Arizona.

“*County Supervisors*” means the Maricopa County Board of Supervisors.

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

“*Defect*” has the meaning set forth in Section 4.11 of this Agreement.

“*Down Payment Assistance*” means a grant in an amount equal to 5.00% of the original principal amount of each Mortgage Loan to assist in the payment of an Eligible Borrower’s down payment and closing costs related to the Mortgage Loan or for buydowns or a reduction in principal of the Mortgage Loan.

“*Eligible Borrower*” means a person or persons: (i) whose Family Income does not exceed the Maximum Family Income then in effect for such jurisdiction provided, however, that in the event of any adjustments to the Maximum Family Income amounts, such adjustments shall

become effective upon announcement thereof to the Participants by the Servicer/Administrator (promptly following the Servicer/Administrator's receipt of such information from the Authorities or Bond Counsel); (ii) who intends to occupy the Residence to be financed with a Mortgage Loan as his or her Principal Residence within a reasonable period (not to exceed 60 days) following the Closing of such Mortgage Loan; (iii) who (except in the case of an Eligible Borrower who is obtaining a Targeted Area Mortgage Loan) has not had a Present Ownership Interest in a Principal Residence (except for the Residence being financed with the Mortgage Loan) at any time during the three-year period ending on the Closing Date; (iv) who has not had an existing mortgage (including a deed of trust, conditional sales contract, pledge, agreement to hold title in escrow, or any other form of owner-financing), whether or not paid off, on the Residence to be financed with such Mortgage Loan at any time prior to the execution of the Mortgage, other than an existing mortgage securing a construction period loan, construction bridge loan, or similar temporary initial construction financing initially incurred within 24 months of the Closing Date, having an original term not exceeding 24 months, and not providing for scheduled payments of principal during such term; and (v) who has not previously obtained a Commitment for a Mortgage Loan under the Program.

*"Eligible Loan Area"* means the geographical area within the limits of Maricopa County, Arizona.

*"Escrow Account"* means an account maintained by the Participant to which all Escrow Payments shall be deposited which account will be assigned by Participant to the Servicer/Administrator on the Purchase Date of the Mortgage Loan to which it relates.

*"Escrow Payments"* means all money collected, or required to be collected from Mortgagors to obtain or maintain mortgage insurance and fire and other hazard insurance, or for payment of taxes or other governmental or similar charges customarily required to be escrowed with respect to Mortgage Loans or Residences.

*"Existing Residence"* means a Residence that is not a Newly-Constructed Residence.

*"Family Income"* means, with respect to a person, the "gross monthly income," multiplied by twelve, of such person and of any other person who is expected to live in the Residence being financed and is over 18 years of age, all as determined in accordance with Worksheet One attached to such person's Mortgagor Affidavit. For purposes of this definition, "gross monthly income" includes the sum of monthly gross pay, any additional income from overtime, part-time employment, bonuses, dividends, interest, royalties, pensions, VA compensation, and net rental income, etc. and other income (such as alimony, child support, public assistance, sick pay, social security benefits, unemployment compensation, income received from trusts, and income received from business activities or investments).

*"Fannie Mae Certificate"* means a single pool, guaranteed mortgage pass-through Fannie Mae Mortgage-Backed Security, providing for the final regularly scheduled payment thereunder to be made not later than July 25, 2036, bearing interest at the applicable Pass Through Rate, issued by Fannie Mae in book-entry form, registered in the name of the Trustee or its nominee, guaranteed as to timely payment of principal and interest by Fannie Mae and backed by

Conventional Mortgage Loans in the related Pool, with a latest loan maturity date not later than July 1, 2036.

“*Fannie Mae Certificate Purchase Price*” means 103.86% of the unpaid principal balance of the Mortgage Loans in the pool backing the applicable Fannie Mae Certificate on record at Fannie Mae on the first day of the month of purchase, plus accrued interest calculated based upon the unpaid principal balance of such Mortgage Loans times the applicable Pass-Through Rate divided by 360 and the result thereof times the number of days from the first day of the month of purchase to, but not including, the day of purchase, if any, as certified in writing to the Trustee by the Servicer/Administrator. (Any interest received by the Trustee as payment on a Certificate attributable to interest that accrued prior to the date the Certificate was purchased by the Trustee shall be paid to the Servicer/Administrator by the Trustee in accordance with Section 5.02(c)(ii) of the Indenture.)

“*Fannie Mae Guaranty Fee*” means the annual fee equal to 0.25% of the outstanding balance of the Conventional Mortgage Loans in a pool payable monthly to Fannie Mae by the Servicer/Administrator in connection with the issuance of a Fannie Mae Certificate.

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

“*FDIC*” means the Federal Deposit Insurance Corporation, or any successor thereto.

“*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 insurance on mortgage loans presently issued by FHA under the National Housing Act of 1934, as amended, pursuant to one of the following FHA Insurance programs:

- (a) FHA Section 203(b), Home Unsubsidized;
- (b) FHA Section 203(b)(2), Veterans Status;
- (c) FHA Section 234(c), Condominium Ownership; or
- (d) FHA Section 203(k), Rehabilitation.

“*FHA Mortgage Loan*” means a Mortgage Loan that is insured by the Federal Housing Administration.

“*FNMA*” or “*Fannie Mae*” means Federal National Mortgage Association, or any successor thereto.

“*Federal Maximum Family Income*” means, initially, the following:

Non-Targeted Areas:	
Families of 2 or fewer persons	\$58,600

Families of 3 or more persons \$67,390

Targeted Areas:

Families of 2 or less persons \$70,320

Families of 3 or more persons \$82,040

The foregoing amounts shall be effective until the Participants receive an announcement from the Servicer/Administrator of revised Federal Maximum Family Income limits (such announcement to be given promptly following the Servicer/Administrator's receipt of such information from the Authorities or Bond Counsel).

*"Financial Advisor"* means CSG Advisors, Inc., or any successor appointed by the Authorities.

*"Forward Delivery Period"* means, with respect to each Subseries of Bonds, five months; provided, however, the Authorities reserve the right to reduce the Forward Delivery Period for any Commitment Lot to four months in order to reduce the related Subseries Bond Rate and Mortgage Loan Rate by 0.05%. Any such reduction in the Forward Delivery Period will be set forth in the Commitment Lot Notice relating to that Commitment Lot.

*"GNMA"* 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, and its successors or assigns. Its powers are prescribed generally by Title III of the National Housing Act of 1934, as amended (12 U.S.C. §1716 *et seq.*).

*"GNMA Certificate"* means a certificate (in either physical or book-entry form) purchased by the Trustee, issued by the Servicer/Administrator and guaranteed by GNMA pursuant to GNMA's GNMA II Mortgage-Backed Securities program under Section 306(g) and other related provisions of the National Housing Act of 1934, as amended, and based on and backed by Mortgage Loans referred to in the GNMA Guaranty Agreement having a final loan maturity date not later than July 1, 2036, which certificate shall provide for the final regularly scheduled payment thereunder to be made not later than July 22, 2036 and shall unconditionally obligate the Servicer/Administrator to remit monthly to JPMorgan Chase Bank, as Central Paying and Transfer Agent ("*CPTA*") its pro rata share of (x) principal payments and prepayments made with respect to the Pool of Mortgage Loans represented by the GNMA Certificate and (y) interest received in an amount equal to the principal balance of the GNMA Certificate multiplied by the applicable Pass-Through Rate. GNMA shall guarantee to the holder of each GNMA 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 GNMA 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 GNMA Certificate.

*"GNMA Certificate Purchase Price"* means 103.86% of the unpaid principal balance of the Mortgage Loans in the pool backing the applicable GNMA Certificate on record at GNMA on the first day of the month of purchase, plus accrued interest calculated based upon the unpaid principal balance of such Mortgage Loans times the applicable Pass-Through Rate divided by

360 and the result thereof times the number of days from the first day of the month of purchase to, but not including, the day of purchase, if any, as certified in writing to the Trustee by the Servicer/Administrator. (Any interest received by the Trustee as payment on a Certificate attributable to interest that accrued prior to the date the Certificate was purchased by the Trustee shall be paid to the Servicer/Administrator by the Trustee in accordance with Section 5.02(c)(ii) of the Indenture.)

“*GNMA Commitment*” means that certain Commitment to Guarantee Mortgage-Backed Securities, issued by GNMA to the Servicer/Administrator, pertaining to the Mortgage Loans in an amount at least equal to the maximum principal amount of Mortgage Loans to be originated under the Program, and bearing a “GNMA Mortgage Pool Number” (defined in the GNMA Guide), together with any amendments or supplements thereto or extensions thereof.

“*GNMA Guaranty Agreement*” means the one or more Guaranty Agreements between the Servicer/Administrator and GNMA now or hereafter in effect pursuant to which GNMA has agreed or will agree to guarantee GNMA Certificates.

“*GNMA Guaranty Fee*” means the annual fee equal to 0.06% of the outstanding balance of the Mortgage Loans payable to GNMA in connection with the issuance of the guaranty by GNMA for a GNMA Certificate.

“*GNMA Guide*” means the GNMA Mortgage-Backed Securities Guide, HUD Handbook 5500.3, in effect from time to time.

“*GNMA’s Custodian*” means the party designated as such by GNMA to act in such capacity.

“*Indenture*” means that certain Indenture of Trust, dated as of August 1, 2004, by and among the Trustee and the Authorities, and all amendments and supplements thereto.

“*Index Rate*” means the average rate quoted for comparable long-term, “AAA” rated, par, single family housing bonds issued by non-specialty state housing bond issuers during the five Business Days preceding the date such Subseries Bond Rate is being established as reported by Bloomberg, and as shall be agreed to by Fannie Mae, minus .35%.

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

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

“*Liquidation Proceeds*” means amounts (other than Insurance Proceeds) received in connection with the liquidation of defaulted Mortgage Loans, whether through trustee’s sale, foreclosure sale, or otherwise.

“*Loan Origination Guidelines*” means the guidelines established by the Authorities in this Agreement for the origination of Mortgage Loans to be Purchased by the

Servicer/Administrator and the eligibility, credit, and security underwriting standards applicable thereto, as may be amended from time to time.

“*Low Income Families*” means, for the purposes of financing owner-occupied single family dwelling units in areas that the municipality found to be a redevelopment area, persons and families whose income does not exceed two and one-half times the median family income in the State. In all other areas, it means persons and families whose income does not exceed one and one-half times the median family income in the State.

“*Manufactured Housing*” means a structure manufactured in a factory after June 5, 1976 which is delivered to a homesite in more than one section and placed on a permanent foundation. The dimensions of the completed house shall not be less than 20 feet by 40 feet, the roof must be sloping, the siding and roofing must be the same as those found in site-built houses and the house must be eligible for 30-year real estate mortgage financing.

“*Maximum Acquisition Cost*” means, initially, the following:

<u>Non-Targeted Area</u>	<u>Targeted Area</u>
\$189,600	\$231,800

As new Average Area Purchase Price figures are determined, the Maximum Acquisition Cost will equal 90% of the Average Area Purchase Price applicable to the Residence for Non-Targeted Areas and 110% of the Average Area Purchase Price applicable to the Residence for Targeted Areas. The foregoing amounts shall be effective until the Participants receive an announcement from the Servicer/Administrator of revised Maximum Acquisition Cost amounts (such announcement to be given promptly following the Servicer/Administrator’s receipt of such information from the Authorities or Bond Counsel).

“*Maximum Family Income*” means the lesser of the Federal Maximum Family Income and 150% of the State Law Median Family Income.

“*Maximum Rate*” means 12% per annum.

“*McWeb*” means the Servicer/Administrator’s Internet reservation, tracking and reporting system found at <http://www.hdsoftware.com/usbhm-mrbp>.

“*Monthly Purchase Report*” means the report to be provided to the Authorities and the Trustee by the Servicer/Administrator pursuant to Section 6.12(a)(ii) of this Agreement.

“*Mortgage*” means the instrument, including the Mortgage Rider and deed of trust, securing a Mortgage Loan that creates a first lien on a Residence subject to Permitted Encumbrances, and that shall be in form acceptable to FHA, VA, or Fannie Mae, as applicable.

“*Mortgage Documents*” means such documents as may be required by the Servicer/Administrator pertaining to a particular Mortgage Loan.



“*Mortgage Loan*” means a loan that is evidenced by a Mortgage Note bearing interest at the applicable Mortgage Loan Rate in the amount of 100% of the principal balance of such Mortgage Loan, that is secured by a Mortgage, that is made to an Eligible Borrower to provide financing for a Residence, that includes Down Payment Assistance and that meets all requirements set forth in this Agreement, particularly those set forth in Section 2.04 and Section 4.03 of this Agreement.

“*Mortgage Loan Compliance Review Fee*” means the non-refundable fee payable by the Participant to the Servicer/Administrator upon Purchase of a Mortgage Loan in an amount equal to \$275.

“*Mortgage Loan Purchase Price*” means 105.25% of the unpaid principal balance of such Mortgage Loan (which includes the Down Payment Assistance grant).

“*Mortgage Loan Rate*” means the interest rate set for Mortgage Loans originated in connection with each Commitment Lot, which Mortgage Loan Rate shall be equal to the applicable Subseries Bond Rate plus .53%, plus the Authority Fee, if any, established for the applicable Subseries of Bonds.

“*Mortgage Note*” means the promissory note evidencing the obligation to repay a Mortgage Loan, that shall be in the form acceptable to FHA, VA or Fannie Mae depending on whether the Mortgage Note evidences an FHA Mortgage Loan, a VA Mortgage Loan, or a Conventional Mortgage Loan, respectively, with such additions or modifications as may be required hereunder as approved by the Authorities and the Servicer/Administrator and provided to Participants by the Servicer/Administrator.

“*Mortgage Rider*” means the Mortgage Rider, in substantially the form set forth in Exhibit G, to be attached to the Mortgage securing each Mortgage Loan.

“*Mortgagor*” means any person who has a Present Ownership Interest in the Residence and is the obligor(s) on a Mortgage Note, or a subsequent owner of a Residence who has assumed the Mortgage in accordance with this Agreement (but does not include a person who is liable on the Mortgage Note solely as a guarantor or cosignor, who does not have a Present Ownership Interest in the Residence and who executes the Affidavit of Cosignor or Guarantor, the form of which is attached hereto as Exhibit B).

“*Net Proceeds of the Bonds*” means the proceeds of the Bonds reduced by amounts in a reasonably required reserve or replacement fund, if any.

“*Newly-Constructed Residence*” means a Residence that, at the Closing Date, has not been permanently financed by any person as a Residence or previously occupied as a Residence (whether as an owner-occupied or rental unit) other than by the Mortgagor on a temporary basis pending the funding of the Mortgage Loan, as evidenced by the Affidavit of the Mortgagor and Seller’s, and that has been completed. This term includes a commercial, industrial, or manufacturing facility that was not previously used as residential housing but which has been rehabilitated to provide residential housing, so long as it otherwise meets the terms of this definition.

“*Non-Targeted Area*” means that part of the Eligible Loan Area that does not lie in the Targeted Area.

“*Non-Targeted Area Mortgage Loan*” means a Mortgage Loan to provide financing for the acquisition of a Residence that is in a Non-Targeted Area.

“*Notice Address*” means:

As to the Maricopa Authority:           The Industrial Development Authority  
  of the County of Maricopa  
  Attention: President  
  c/o Maricopa County  
  301 West Jefferson, 10<sup>th</sup> Floor  
  Phoenix, Arizona 85003  
  Fax:   (602) 506-4451

With a copy to:

Riley, Carlock & Applewhite, P.A.  
One North Central Avenue, Suite 1200  
Phoenix, Arizona 85004-4417  
Attention: Clarke Greger  
Fax:   (602) 257-9582

As to the Phoenix Authority:           The Industrial Development Authority  
  of the City of Phoenix, Arizona  
  c/o Lewis and Roca LLP  
  40 North Central Avenue  
  Phoenix, Arizona 85004-4429  
  Attention: Maria Morales Spelleri  
  Fax:   (602) 734-3833  
  and  
  Julie Arvo-MacKenzie  
  Fax:   (602) 734-3822

As to the Trustee:                       Wells Fargo Bank, N.A.  
  Corporate Trust Services  
  100 West Washington St., 8<sup>th</sup> Floor  
  MAC: S4101-080  
  Phoenix, Arizona 85003  
  Attention: Kathleen Jakubowicz  
  Fax:   (602) 378-2333

As to the Servicer/Administrator: U.S. Bank Home Mortgage-MRBP Division  
17500 Rockside Road  
Bedford, Ohio 44146-2099  
Attention: Trish Storm and Sheryl Krocek  
Fax: (216) 475-8619

As to the Participants: At the addresses provided by the Participants.

As to the Financial Advisor: CSG Advisors, Inc.  
1 Post Street, Suite 2130  
San Francisco, California 94104  
Attention: Gene Slater  
Fax: (415) 956-2875

*“Notice of Availability of Funds”* means the notice sent by the Authorities to each Participant notifying each Participant (i) of the availability of funds to purchase Mortgage Loans, (ii) the Mortgage Loan Rate for and amount of the first Commitment Lot and (iii) that each Participant may begin taking applications for Mortgage Loans.

*“Officer”* means any duly authorized officer of a Participant involved in, or responsible for, the origination, sale, or servicing of the Mortgage Loans whose name appears on a list furnished by a Participant to the Servicer/Administrator, the Authorities, and the Trustee, as such list may be amended from time to time.

*“Officer’s Certification”* means the certification in the Certificate of Participant executed by an Officer in connection with each Mortgage Loan purchased by the Servicer/Administrator hereunder that shall represent such Participant’s warranty with respect to all of the terms and conditions hereof.

*“Origination Fee”* means a fee in an amount equal to 1% of the unpaid principal amount of a Mortgage Loan, which amount may be collected and retained by the Participant in connection with each Mortgage Loan originated hereunder.

*“Origination Period”* means the period from the Bond Closing Date through the earlier of (i) July 1, 2006 and (ii) the date on which the Bonds in the aggregate principal amount of \$100,000,000 have been delivered pursuant to the Indenture.

*“Participants”* means the mortgage lending institutions listed in Exhibit A or added to the Program after the Bond Closing Date in accordance with the terms of this Agreement. All Participants must conform to the requirements set forth in Section 2.03 of this Agreement.

*“Pass-Through Rate”* means the interest rate accruing each month on a Certificate, which will equal the Mortgage Loan Rate of the Mortgage Loans backing the Certificate less the Servicing Fee.

*“Permitted Encumbrances”* means those liens, covenants, conditions, restrictions, rights of-way, easements, and other matters that are of public record as of the date of the recording of a Mortgage and that are permitted by FHA, VA, or Fannie Mae, as applicable.

*“PMI Insurer”* means any private mortgage insurance company approved by Fannie Mae and providing Private Mortgage Guaranty Insurance on Conventional Mortgage Loans.

*“Pool”* means with respect to a Certificate, the pool of Mortgage Loans the beneficial ownership of which is represented by such Certificate, as described in the schedule of pooled mortgages pertaining to such Certificate.

*“Pool Documentation Package”* means those documents listed in Exhibit I.

*“Pool Purchase Contract”* means the Fannie Mae Pool Purchase Contract between the Servicer/Administrator and Fannie Mae relating to the sale by the Servicer/Administrator of Mortgage Loans to Fannie Mae and the servicing thereof.

*“Present Ownership Interest”* means (i) a fee simple interest; (ii) a joint tenancy, a tenancy in common, or tenancy by the entirety; (iii) the interest of a tenant-shareholder in a cooperative; (iv) a life estate; (v) a land contract (*i.e.*, a contract pursuant to which possession and the benefits and burdens of ownership are transferred although legal title is not transferred until some later time); and (vi) an interest held in trust for a person (whether or not created by such person) that would constitute a present ownership interest if held directly by such person. The term *“Present Ownership Interest”* does not include (i) a remainder interest; (ii) a lease with or without an option to purchase; (iii) a mere expectancy to inherit an interest in a Principal Residence; (iv) the interest that a purchaser of a Residence acquires on the execution of a purchase contract; or (v) an interest other than an interest in a Principal Residence during the previous three years. A Present Ownership Interest in a mobile home or other factory-made housing that was permanently affixed to real property owned by the loan applicant constitutes a Present Ownership Interest in a Principal Residence.

*“Pricing Window”* means Tuesday through Thursday between the hours of 10:00 a.m. and 3:00 p.m. Eastern Time, or such other times as may be agreed to by the Beneficial Owner.

*“Principal Prepayment”* means any amount representing Mortgagor payments or other recoveries of principal on a Mortgage Loan that are not applied to a scheduled payment under the Mortgage Loan and the portion of any Insurance Proceeds, Liquidation Proceeds, or other collections representing similar payments.

*“Principal Residence”* means a Residence (or the unit in a two family Residence) that can reasonably be expected to be occupied by the Mortgagor as the principal Residence of the Mortgagor. The term *“Principal Residence”* does not include a home used as an investment property or as a recreational home or a home that is primarily intended to be used in a trade or business, as evidenced by the use of more than 15% of the total area in a trade or business. Any use of a home that does not qualify for a deduction allowable for certain expenses incurred in connection with the business use of a home under section 280A of the Code shall not be considered as a use in a trade or business.

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

*“Program”* means the Authorities’ City of Phoenix/Maricopa County Single Family Mortgage Revenue Bond Program of 2004, as set forth in and implemented through the Program Documents.

*“Program Documents”* means the Notice of Availability of Funds, this Agreement, the Indenture, and all other agreements, instruments, certificates, affidavits, and exhibits attached to or contemplated by any of the foregoing.

*“Purchase”* means the purchase of a Mortgage Loan by the Servicer/Administrator from a Participant on a Purchase Date pursuant to Section 4.05 of this Agreement.

*“Purchase Date”* means the date of any Purchase of Mortgage Loans hereunder by the Servicer/Administrator during the Origination Period, which dates shall be determined by the Servicer/Administrator.

*“Qualified Insurer”* means any insurance company that is approved by either FHA, VA, the PMI Insurer or Fannie Mae to provide insurance, other than Private Mortgage Guaranty Insurance, on single family residences in the State.

*“Residence”* means real property and improvements permanently affixed thereon (but does not include property not constituting “fixtures” under State law) (i) that is located within the Eligible Loan Area; (ii) that consists of a single family detached or attached structure consisting of not more than two connected dwelling units intended for residential housing for one family or a single unit in a Condominium Development a single unit in a duplex or an entire duplex to be financed, *provided* that one of the units will be occupied by the Mortgagor and the Residence was first occupied for residential purposes at least five years prior to origination of the Mortgage Loan (however, this five-year requirement does not apply to the extent described in the next sentence) or a single unit in a duplex (but not including a mobile home or any personal property); and (iii) the Acquisition Cost of which does not exceed the Maximum Acquisition Cost; *provided, however*, that land appurtenant to a Residence shall be considered as part of such Residence only if such land reasonably maintains the basic livability of such Residence and does not provide, other than incidentally, a source of income to the Mortgagor. The requirement that a multiple unit building have first been occupied for residential purposes at least five years prior to the Closing of the Mortgage Loan does not apply in the case of a two-family Residence that is a Targeted Area Residence, but only if the Family Income of the Eligible Borrower does not exceed 140% of the Applicable Median Family Income (for a family of three or more persons) or 120% of the Applicable Median Family Income (for a family of two or less persons). No portion of a Residence shall consist of a health club facility, a facility primarily used for gambling, or a store the principal business of which is the sale of alcoholic beverages for consumption off premises.

“*Sales Price*” means the price of a Residence as indicated in the contract of sale, including any collateral agreements attached to or made a part of the sales contract between the Eligible Borrower and the Seller of the Residence, exclusive of any closing costs set forth in clause (i) of the definition of Acquisition Cost.

“*Seller*” means, with respect to a Mortgage Loan, the seller of the Residence being financed with such Mortgage Loan.

“*Servicer/Administrator*” means U.S. Bank N.A., a national banking association, acting through U.S. Bank Home Mortgage-MRBP Division, or any successor to its duties hereunder.

“*Servicing Fee*” means a monthly fee in an amount equal to 1/12th of 0.50% of the aggregate unpaid principal balance of the Mortgage Loans, which fee is retained by the Servicer/Administrator as provided herein for services rendered hereunder, and which fee includes the GNMA Guaranty Fee or the Fannie Mae Guaranty Fee, as applicable.

“*Settlement Date*” means each date on which a Subseries of Bonds is issued and delivered, which date shall be the Certificate Acquisition Date next succeeding the date which is (i) four months from the date of the establishment of the related Commitment Lot (three months if Forward Delivery Period is four months) if the date of the establishment of the related Commitment Lot is before the 16<sup>th</sup> day of a month, or (ii) five months from the date of the establishment of the related Commitment Lot (four months if the Forward Delivery Period is four months) if the date of the establishment of the related Commitment Lot is on or after the 16<sup>th</sup> day of a month.

“*State*” means the State of Arizona.

“*State Law Median Family Income*” means the dollar amount so designated from time to time by the Arizona Department of Economic Security in accordance with Arizona Revised Statutes Section 35-706.I.

“*Submission Period*” means the period defined in Section 3.04(c) hereof.

“*Subseries Bond Rate*” means the interest rate per annum for a Subseries of Bonds related to a Commitment Lot, which rate shall be equal to the Index Rate on the date of the establishment of the related Commitment Lot plus 1.05% (1.00% if the Forward Delivery Period is four months); provided, a Subseries Bond Rate shall not be in excess of the Maximum Rate.

“*Targeted Area*” means that part of the Eligible Loan Area that has been or may be designated from time to time as an area of chronic economic distress in accordance with section 143(j)(3) of the Code, or qualified census tracts as specified in accordance with section 143(j)(2) of the Code. The Targeted Areas may change from time to time. The initial Targeted Area consists of the “census tracts” as designated on the Bureau of Census’ map for the 2000 census as set forth below:

061400	092900	103306	107201	108601
108602	109000	110200	110701	111202
111203	111602	112507	112602	112800
113201	113202	113203	113300	113500
113601	113700	113800	113900	114200
114302	114401	114402	114500	114701
114702	114703	114800	114900	115200
115300	115801	115900	116100	116602

“*Targeted Area Mortgage Loan*” means a Mortgage Loan to provide financing for the acquisition of a Targeted Area Residence.

“*Targeted Area Residence*” means a Residence that is located within a Targeted Area.

“*Tax Agreement*” means the Tax Compliance Certificate of the Authorities dated the Bond Closing Date.

“*Termination Fee*” has the meaning provided in Section 3.04(d) hereof.

“*Title Policy*” means a mortgagee guaranty title insurance policy with respect to a Mortgage Loan in form approved by the State Department of Insurance of the State in an amount equal to the original principal amount of the Mortgage Loan, issued as of the Closing Date of such Mortgage Loan, and insuring the Participant and its successors and assigns.

“*Trustee*” means Wells Fargo Bank, N.A., a national banking association or any successor to its duties under the Indenture and this Agreement.

“*VA*” means the Veterans Administration, an agency of the United States of America, or any successor to its functions.

“*VA Guaranty*” means a guaranty of a Mortgage Loan by VA pursuant to the provisions of the Servicemen’s Readjustment Act of 1944, as amended.

“*VA Mortgage Loan*” means a Mortgage Loan guaranteed by VA in accordance with the provisions hereof and under the Servicemen’s Readjustment Act of 1944, as amended.

*Section 1.02. Forms.* All forms specified by the text hereof or by reference to exhibits attached hereto shall be substantially as set forth herein, subject to such changes that do not alter the substantive rights of the parties hereto or of the Bondholders or as may be required by applicable Laws hereafter enacted.

*Section 1.03. Recitals, Table of Contents, Titles, and Headings.* The terms and phrases used in the recitals of this Agreement have been included for convenience of reference only and the meaning, construction, and interpretation of such words and phrases for purposes of this Agreement shall be determined solely by reference to Section 1.01. The table of contents, titles, and headings of the articles and sections of this Agreement have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or

restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Agreement or any provision hereof or in ascertaining intent, if any question of intent should arise. References herein to any "Section" or "Exhibit" shall be to such designated Section or Exhibit to this Agreement unless otherwise stated.

*Section 1.04. Interpretation.* Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa. This Agreement, and all the terms and provisions hereof, shall be liberally construed to effect the purposes set forth herein and to sustain the validity of this Agreement.

## ARTICLE II

### REPRESENTATIONS, WARRANTIES, AND COVENANTS

*Section 2.01. Representations, Warranties, and Covenants of the Authorities.* Each of the Authorities represents and warrants to, and covenants with, each Participant, the Servicer/Administrator, and the Trustee that:

(a) Such Authority is a nonprofit corporation duly organized and in good standing under the laws of the State, including the Act. Such Authority has full power and authority to consummate all transactions, execute all documents, and issue all instruments contemplated by the Program Documents.

(b) Such Authority has found and determined that the Purchase of the Mortgage Loans by the Servicer/Administrator and the sale of the Certificates to the Authorities under the terms of this Agreement to finance the acquisition by Eligible Borrowers of Residences will further and fulfill the public purposes of the Act.

(c) The execution and delivery of the Program Documents by such Authority, the issuance of the Bonds by the Authorities in the manner contemplated by the Program Documents, and the performance of and compliance with the terms of the Program Documents by such Authority will not violate any Laws in any respect that could have any material adverse effect whatsoever upon the validity, performance, or enforceability of any of the terms of the Program Documents.

(d) This Agreement and the Indenture, and all documents and instruments contemplated hereby that are executed and delivered by such Authority, and the 2004A Bonds or 2004B Bonds, as applicable, when issued and authenticated or registered in accordance with the Indenture, will constitute valid, legal, and binding obligations of such Authority, enforceable in accordance with their terms, except as the enforcement thereof may be limited by applicable Debtor Relief Laws.

(e) Following execution of the Program Documents, such Authority proposes to issue the 2004A Bonds or 2004B Bonds, as applicable, and, upon such issuance, the proceeds thereof will be applied according to the terms and conditions of the Program Documents.



*Section 2.02. Representations, Warranties, and Covenants of the Servicer/Administrator.* The Servicer/Administrator represents and warrants to, and covenants with, each Participant, the Authorities, and the Trustee that:

(a) The Servicer/Administrator is a national banking association duly organized, validly existing, and in good standing under the laws of the United States of America, is qualified under the Laws of the State to do business in the State, and possesses all requisite authority, power, licenses, permits, and franchises to conduct any and all business contemplated by the Program Documents 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 corporate action.

(b) The execution and delivery of this Agreement, the GNMA Guaranty Agreement and the Pool Purchase Contract by the Servicer/Administrator in the manner contemplated herein and the performance and compliance by it with the terms hereof shall not violate (i) its certificate of incorporation or bylaws, or (ii) any Laws that could have any material adverse effect whatsoever upon the validity, performance, or enforceability of any of the terms of this Agreement, the GNMA Guaranty Agreement and the Pool Purchase Contract applicable to the Servicer/Administrator, and will not constitute a default (or an event that, with notice or lapse of time or both, would constitute a material default) under, or result in the breach of, any contract, agreement, or other instrument to which the Servicer/Administrator is a party or that may be applicable to it or any of its assets.

(c) The execution and delivery of this Agreement, the GNMA Guaranty Agreement and the Pool Purchase Contract by the Servicer/Administrator in the manner contemplated herein and therein 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, the GNMA Guaranty Agreement and the Pool Purchase Contract, and all documents and instruments contemplated hereby and thereby that are executed and delivered by the Servicer/Administrator, shall constitute valid, legal, and binding obligations of the Servicer/Administrator, enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by applicable Debtor Relief Laws.

(e) The Servicer/Administrator is an FHA-approved and VA-approved mortgagee, is a GNMA-approved issuer and servicer of FHA-insured and VA-guaranteed, mortgages, and meets all requirements of applicable Laws so as to be eligible to originate, purchase, hold, and service FHA-insured and VA-guaranteed mortgages. The Servicer/Administrator is a Fannie Mae-approved seller and servicer of Conventional Mortgage Loans and meets all requirements of applicable Laws so as to be eligible to originate, purchase, hold, and service Conventional Mortgage Loans. So long as the Servicer/Administrator shall continue to serve in the capacity contemplated under the terms of this Agreement, it shall not cause or suffer FHA, VA, or Fannie Mae to withdraw the Servicer/Administrator's FHA-approved, VA approved, and Fannie Mae-

approved status, respectively, and shall maintain its good standing as a GNMA-approved and Fannie Mae-approved servicer.

(f) From time to time the Servicer/Administrator shall report, as more fully set forth herein, information relating to the Mortgage Loans to the respective Participants, the Authorities and the Trustee, and shall do every act and thing that may be necessary or required to perform its duties under this Agreement.

(g) The Servicer/Administrator agrees that, so long as it shall continue to serve in the capacity contemplated under the terms of this Agreement, it shall remain in good standing under the Laws of the United States and qualified under the Laws of the State to do business in the State, shall not dissolve or otherwise dispose of all or substantially all of its assets, and shall 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 the Servicer/Administrator may, without violating the covenant contained in this subsection, consolidate with or merge into another entity, or permit one or more entities to consolidate with or merge into it, or sell or otherwise transfer to another such 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 Servicer/Administrator immediately preceding any such merger, consolidation, or sale of assets, shall be qualified under the Laws of the State to do business in the State, shall be qualified under the Laws and have all necessary approvals required of the Servicer/Administrator under Section 2.02(e) to perform the Servicer/Administrator's duties under this Agreement, shall demonstrate to the reasonable satisfaction of the Authorities and the Trustee its ability to perform the duties of the Servicer/Administrator as specified under the Agreement, and shall assume in writing all of the obligations of the Servicer/Administrator under this Agreement. In such event the Authorities and, upon receipt of written direction from the Authorities, the Trustee, on its own behalf and on behalf of the Participants, shall release the Servicer/Administrator in writing, concurrently with and contingent upon such assumption, from all obligations so assumed.

(h) No information or statement furnished by the Servicer/Administrator in any writing or report required hereunder delivered to the Participants, the Authorities, or the Trustee shall, to the knowledge of the Servicer/Administrator, contain any untrue statement of a material fact or omit a material fact necessary to make the information, statements, or report not misleading.

(i) The Servicer/Administrator shall obtain completed and executed copies, as applicable, of the appropriate affidavits and certificates attached hereto as Exhibits E-1 through G and, if appropriate, Exhibit B. In addition, no Mortgage Loan shall be purchased if the Servicer/Administrator receives information that conflicts with or contradicts any information contained in such affidavits and certificates prior to the Purchase of such Mortgage Loan.

(j) The Servicer/Administrator is familiar with all GNMA and Fannie Mae rules and regulations applicable to the Program and shall use diligent, reasonable efforts

to remain familiar with all GNMA and Fannie Mae rules and regulations applicable to the Program, including, but not limited to, any changes or proposed changes in the GNMA Guaranty Fee, size of Pools or other features affecting the purchase of Mortgage Loans hereunder, and shall promptly notify all Participants of such changes or proposed changes of which the Servicer/Administrator becomes aware.

(k) The Servicer/Administrator shall indemnify and hold harmless the Authorities and the Trustee and their officers, directors, employees, and agents, including their respective counsel, against any liability for all claims, causes of action, costs, and expenses (including attorneys' fees), judgments, fines, and penalties which may be related to or arise out of any violation of law or breach of this Agreement resulting from an act or omission of the Servicer/Administrator, its directors, officers, employees or agents hereunder.

(l) The Servicer/Administrator shall furnish an opinion of the Servicer/Administrator's legal counsel and will furnish such other documents at or prior to the delivery of the Bonds as may be reasonably requested by the Authorities or other parties to the transactions contemplated hereby.

(m) The Servicer/Administrator has received and accepted the Pool Purchase Contract (and will provide evidence thereof satisfactory to the Authorities on the Bond Closing Date), which is in full force and effect. During the Origination Period, the Servicer/Administrator shall use its best efforts to obtain and maintain GNMA Commitments which, when combined with the amount authorized pursuant to the Pool Purchase Contract, are in amounts sufficient to meet the anticipated needs of the Program.

*Section 2.03. Representations, Warranties, and Covenants of the Participants.* Each Participant represents and warrants to, and covenants with, each other Participant, the Servicer/Administrator, the Authorities, and the Trustee, that:

(a) The Participant 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) Neither the execution and delivery of this Agreement by the Participant nor the performance and compliance with the terms hereof by the Participant shall (i) violate the instruments creating the Participant or governing its operations, or (ii) violate any Laws that could have any material adverse effect whatsoever upon the validity, performance, or enforceability of any of the terms of this Agreement applicable to the Participant, or (iii) constitute a material default (or an event that, with notice or lapse of time or both, would constitute a material default) under, or result in the breach

of, any material contract, agreement, or other instrument to which the Participant is a party or that may be applicable to the Participant or any of its assets.

(c) The execution and delivery of this Agreement by the Participant 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 that are executed and delivered by the Participant, constitute and shall constitute valid, legal, and binding obligations of the Participant, enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by applicable Debtor Relief Laws.

(e) Unless waived in advance by the Servicer/Administrator, the Participant shall be, at the time of the origination of any FHA Mortgage Loan, VA Mortgage Loan, or Conventional Mortgage Loan for Purchase by the Servicer/Administrator, and at all times thereafter so long as the Participant shall continue to serve in the capacity contemplated under the terms of this Agreement, an FHA-approved direct endorsement lender and a VA-approved, or a Fannie Mae-approved lender, and shall originate Mortgage Loans in accordance with the GNMA Guide and the Fannie Mae Guides.

(f) The Participant shall comply, as to each FHA-insured Mortgage Loan, with the National Housing Act, as amended and supplemented, all rules and regulations issued thereunder, and all administrative publications published pursuant thereto. The Participant shall provide to the Mortgagor the “Notices to Buyer” and “About Recapture Tax” form (in the forms of Exhibit E-1 and E-2) and the “Recapture Tax Notice to the Mortgagor” (in the form of Exhibit J) in connection with each FHA Mortgage Loan.

(g) The Participant shall comply, as to each VA-guaranteed Mortgage Loan, with the Servicemen’s Readjustment Act of 1944, as amended and supplemented, all rules and regulations issued thereunder relating to VA-guaranteed home mortgage loans, and all administrative publications. The Participant shall provide to the Mortgagor the “Notices to Buyer” and “About Recapture Tax” form (in the forms of Exhibit E-1 and E-2) and the “Recapture Tax Notice to the Mortgagor” (in the form of Exhibit J) in connection with each VA Mortgage Loan.

(h) The Participant shall comply, as to each Conventional Mortgage Loan, with all rules and regulations of the applicable PMI Insurer and the Fannie Mae Guides. The Participant shall provide to the Mortgagor the “Notices to Buyer” and “About Recapture Tax” form (in the forms of Exhibit E-1 and E-2) and the “Recapture Tax Notice to the Mortgagor” (in the form of Exhibit J) in connection with each Conventional Mortgage Loan.

(i) The Participant shall comply with the non-discrimination provisions of the Civil Rights Act of 1965 (78 Stat. 252), the regulations issued pursuant to such Act, and Executive Order 11246, Equal Employment Opportunity, dated September 24, 1965.

(j) From time to time the Participant shall report, as more fully set forth in this Agreement, including Sections 4.05(g) and 6.13(c), information relating to the Mortgage Loans to the Servicer/Administrator, and shall do every act and thing that may be necessary or required to perform its duties under the Program Documents.

(k) The Participant agrees that, so long as it shall continue to serve in the capacity contemplated under the terms of the Program Documents, it shall 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, it shall not dissolve or otherwise dispose of all or substantially all of its assets, and it shall 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 the Participant may, without violating the covenant contained in this subsection, consolidate with or merge into another entity, or permit one or more entities to consolidate or merge into it, or sell or otherwise transfer to another such 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 Participant immediately preceding any such merger, consolidation, or sale of assets, shall be qualified under the Laws of the State to do business in the State, shall be qualified under all Laws and have all necessary approvals required of the Participant under Section 2.03(e) to perform the Participant's duties under this Agreement, and shall demonstrate, to the reasonable satisfaction of the Authorities and the Trustee, its ability to perform the duties of Participant as specified in this Agreement, and shall assume in writing all of the obligations of the Participant under this Agreement. In such event upon receipt of written direction from the Authorities, the Trustee, on its own behalf and on behalf of the other Participants, the Servicer/Administrator, and the Authorities, shall release the Participant in writing, concurrently with and contingent upon such assumption, from all obligations so assumed.

(l) No information, certificate of an Officer, statement furnished in writing, or report required hereunder, delivered to the Servicer/Administrator, the Authorities, or the Trustee shall, to the knowledge of the Participant delivering same, contain any untrue statement of a material fact or omit to state a material fact necessary to make the information, certificate, statement, or report not misleading.

(m) The Participant is a bank, trust company, savings bank, national banking association, savings and loan association, building and loan association, mortgage banker, mortgage company, credit union, life insurance company, or other financial institution that actively provides service or otherwise aids in the financing of mortgages on single family residential housing located within the Eligible Loan Area, or is a holding company of any of the foregoing, and has originated at least one mortgage loan to finance the purchase of a single family residence within the Eligible Loan Area.

(n) The Participant shall indemnify and hold harmless the Authorities, the Servicer/Administrator and the Trustee, and their officers, directors, employees and agents against liability for any and all claims, causes of action, costs, and expenses (including attorneys' fees), judgments, fines, and penalties that may be related to or arise

out of any violation of law or breach of this Agreement resulting from an act or omission of the Participant, its directors, officers, employees or agents hereunder.

(o) The Participant will provide to each Mortgagor upon origination of a Mortgage Loan the notices set forth in Exhibits E-1, E-2 and J.

*Section 2.04. Representations, Warranties, and Covenants Relating to the Exclusion from Gross Income.*

(a) The Authorities, the Servicer/Administrator, and each Participant hereby declare their understanding and intent that the interest on the Bonds shall be excluded from gross income for federal income tax purposes pursuant to section 103 of the Code for the longest period permitted under the Code, and hereby severally covenant not to knowingly take, permit, or fail to take any action if such action or inaction would impair such exclusion from gross income or knowingly fail to take any action that would preserve such exclusion. The Authorities, the Servicer/Administrator, and each Participant further recognize that section 143 of the Code imposes certain eligibility requirements with respect to the Mortgagors and the Mortgages acquired pursuant to the Program, including the following:

(i) that each Residence financed with a Mortgage Loan under the Program shall be located within the Eligible Loan Area;

(ii) that each Residence financed with a Mortgage Loan under the Program shall be a Residence that, at the time of execution of the Mortgage, can reasonably be expected to become the Principal Residence of the Mortgagor within a reasonable period of time (not to exceed 60 days after the Closing Date of the Mortgage Loan);

(iii) that, except as provided in the definition of Eligible Borrower, all of the Net Proceeds of the Bonds shall be used to finance the Residences of Mortgagors who did not have a Present Ownership Interest in a Principal Residence (other than the Residence being financed with the Mortgage Loan) at any time during the three-year period ending on the Closing Date (proceeds used to finance Targeted Area Residences shall be deemed to have satisfied this requirement);

(iv) that each Residence financed with a Mortgage Loan under the Program shall have an Acquisition Cost not in excess of the applicable Maximum Acquisition Cost;

(v) that the proceeds of the Bonds shall not be used to acquire or replace an existing mortgage, *i.e.*, that each Mortgage Loan made under the Program shall be made to a person who did not have a mortgage (whether or not paid off) on the Residence securing such Mortgage Loan at any time prior to the execution of the Mortgage, except for certain temporary initial financing for a mortgage securing a construction period loan, a construction bridge loan, or similar temporary initial construction financing initially incurred for the sole purpose of acquiring the Residence and initially incurred within 24 months of the Closing Date, having an original term of 24 months or less, and not providing for scheduled payments of principal during such term;

(vi) that all Mortgage Loans financed by proceeds of the Bonds must be provided to Mortgagors whose Family Income does not exceed the applicable Maximum Family Income; *provided* that there shall be no Federal Maximum Family Income limit with respect to one-third of the amount of Mortgage Loans used to finance Targeted Area Residences;

(vii) that, in the event of an assumption of any Mortgage Loan made under the Program, the requirements of subparagraphs (i) through (iv), inclusive, and subparagraphs (vi) and (viii) shall be met with respect to such assumption at the time of such assumption; and

(viii) that no Mortgage Loans shall be made with respect to a two family Residence unless (A) one unit of the Residence is the Principal Residence of the Mortgagor and (B) the Residence is an Existing Residence that was first occupied for residential purposes at least five years before the Mortgage Loan is executed. The requirement of clause (B) does not apply in the case of a two-family residence that is a Targeted Area Residence, but only if the Family Income of the Eligible Borrower does not exceed 140% of the Applicable Median Family Income (for families of three or more) or 120% of the Applicable Median Family Income (for families of two or less).

(b) Section 143 of the Code further requires: (i) that the Authorities attempt in good faith to meet all such requirements before the Mortgages are executed by placing restrictions in the Program Documents that permit the financing of Mortgage Loans only in accordance with such requirements and by establishing reasonable procedures to ensure compliance with such requirements, including reasonable investigations by the Authorities or their agents, including the Participants and the Servicer/Administrator, to determine that the Mortgage Loans satisfy such requirements; (ii) that 95% or more of the Net Proceeds of the Bonds that are devoted to owner financing under the Program shall be devoted to eligible Residences as to which, at the time the Mortgages are executed, all such requirements are met; and (iii) that any failure to meet such requirements shall be corrected within a reasonable time after such failure is discovered, for example, by requiring repayment in full of the nonqualifying Mortgage Loan or by replacing the nonqualifying Mortgage Loan with a Mortgage Loan meeting such requirements.

(c) The Authorities, the Servicer/Administrator, and each Participant each hereby covenant and agree to establish and follow reasonable procedures as set forth in the Program Documents to ensure compliance with the foregoing requirements.

(d) The Authorities covenant to set aside the Targeted Area reservation in the amount, if any, that is required to be reserved only to finance Targeted Area Residences, based on the advice of Bond Counsel to the Authorities, until a date which is one year after the Bond Closing Date. In order to satisfy this requirement, the Authorities, the Servicer/Administrator and each Participant shall comply with the requirements of Section 4.02(b) hereof.

(e) The Authorities covenant that no more than 2% of the proceeds of the Bonds will be expended to pay the cost of issuing the Bonds.

(f) The Authorities, the Servicer/Administrator and each Participant agree that no portion of the proceeds of the Bonds may be used to provide any airplane, sky box or other private luxury box, health club facility, facility primarily used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises.

(g) The Authorities, each Participant and the Servicer/Administrator further agree that, to the extent the applicable Treasury regulations are amended in a manner that applies to the Bonds, each of such parties will enter into an amendatory agreement that incorporates such amendments into this Agreement.

(h) The covenants and requirements set forth in this Section 2.04 are intended solely to comply with the relevant provisions of the Code and are not intended to and do not establish any Program requirements that are different from or less stringent than those set forth in Article IV of this Agreement.

*Section 2.05. Notice to Servicer/Administrator.* If, at any time, any representation or warranty of a Participant set forth in this Agreement would not be true and correct in all respects if made by the Participant at such time (regardless of whether such representation or warranty is actually made, deemed to be made, or required to be made at such time), such Participant shall immediately notify the Servicer/Administrator of such fact and provide a full and accurate explanation thereof.

### **ARTICLE III**

#### **PARTICIPATION IN THE PROGRAM**

*Section 3.01. Participation.* Each Participant has submitted all items required by the Authorities, and is committed to use its best efforts to originate and to sell Mortgage Loans to the Servicer/Administrator in accordance with the requirements of the Program. As soon as may be practicable following the execution of this Agreement, the Authorities shall provide a fully-executed counterpart of this Agreement to each Participant, the Servicer/Administrator, and the Trustee.

*Section 3.02. Notice of Availability of Funds.*

(a) On or immediately following the Bond Closing Date, the Servicer/Administrator shall, on behalf of the Authorities, send each Participant the Notice of Availability of Funds for the Purchase of Mortgage Loans and shall establish a schedule of Purchase Dates that shall provide for at least one Purchase Date each month during the Origination Period.

(b) If on or before September 1, 2004, the Servicer/Administrator, on behalf of the Authorities, has not sent Participants the Notice of Availability of Funds pursuant to this Section 3.02, all rights and obligations of all parties under the Program Documents shall terminate. The Authorities shall have no obligation to the Participants or the Servicer/Administrator to issue the Bonds.

(c) Participants may begin taking applications for Mortgage Loans immediately upon receipt of the Notice of Availability of Funds from the Authorities setting forth the Mortgage



Loan Rate for the first Commitment Lot, but may not issue Commitments until the Commitment Lot Notice has been delivered. Until the Commitment Lot Notice is issued, the Authorities and the Trustee shall have no liability to purchase Certificates and the Servicer/Administrator will not purchase Mortgage Loans.

*Section 3.03. Down Payment Assistance.*

(a) The Authorities will make funds available to provide Down Payment Assistance for each Mortgage Loan made under the Program. Such Down Payment Assistance shall be equal to 5.00% of the original principal amount of each Mortgage Loan and will be paid to the Mortgagor at Closing. Down Payment Assistance may be used only to pay all or a portion of the down payment and Closing Costs associated with each Mortgage Loan. Each Participant shall advance Down Payment Assistance equal to 5.00% of the principal amount of each Mortgage Loan originated by such Participant.

(b) The Down Payment Assistance shall be paid to the Mortgagor by the Participant and shall be applied only for the following purposes, and in the following order of priority: (i) to pay for any Closing Costs collected by the Participant or under Section 4.03(c); and (ii) to pay for any portion of the Purchase Price of the Residence due and payable at Closing which is not funded by the Mortgage Loan (*i.e.*, any portion of the “down payment” for the Residence). Down Payment Assistance shall not be applied by the Mortgagor for any other purpose without the consent of the Servicer/Administrator.

*Section 3.04. Setting Commitment Lots.*

(a) Subject to the provisions of the Bond Purchase Contract and prior to the last day of the Origination Period, the Authorities, the Financial Advisor and the Beneficial Owner shall determine by telephonic conference during a Pricing Window the Commitment Lot Amount and the Mortgage Loan Rate for Mortgage Loans relating to a Commitment Lot to be originated and purchased hereunder and the related Subseries Bond Rate. Immediately thereafter, the Financial Advisor shall report such Commitment Lot Amount and Mortgage Loan Rate by notice to the Authorities, the Servicer/Administrator, the Beneficial Owner and the Trustee substantially in the form of Exhibit L hereto, and the Servicer/Administrator shall promptly notify the Participants of such Commitment Lot Amount and Mortgage Loan Rate by notice substantially in the form of Exhibit M hereto. After the delivery of notice of the Mortgage Loan Rate for a Commitment Lot, the Servicer/Administrator shall take reservations of Mortgage Loans pursuant to Section 4.02 hereof from the Participants until the respective Commitment Lot is filled. On a weekly basis, the Servicer/Administrator shall notify the Authorities, the Financial Advisor and the Beneficial Owner (via McWeb) of the amount of such reservations of Mortgage Loans. Additionally, the Servicer/Administrator shall notify the Authorities, the Financial Advisor and the Beneficial Owner (via McWeb) when funds available from the Commitment Lot Amount, less the aggregate of such reservations of Mortgage Loans, fall below \$300,000.

(b) The Authorities and the Beneficial Owner shall not set a new Commitment Lot until the Participants have submitted reservations to the Servicer/Administrator (which have not been canceled as provided in Section 4.02 hereof) equal to the Commitment Lot Amount for the previous Commitment Lot, plus or minus 10%. At any time after the Commitment Lot Amount,

plus 10%, has been filled by submitted reservations that have not been cancelled, the Servicer/Administrator will terminate the offering of further Mortgage Loans pursuant to such Commitment Lot. Any amounts unused may be allocated in future Commitment Lots.

(c) Participants have a maximum of four months from the date a Commitment Lot is set (three months if the Forward Delivery Period is four months) to deliver Mortgage Loans originated for each Commitment Lot to the Servicer/Administrator for purchase at the Mortgage Loan Purchase Price; *provided, however*, that the Participant must deliver a Mortgage Loan to the Servicer/Administrator for purchase within 30 days of its respective Closing Date (the “*Submission Period*”), unless otherwise extended by the Servicer/Administrator, at its sole discretion, for a period not to exceed 45 days from its Closing Date; *provided further*, Participants must deliver each Mortgage Loan relating to a Commitment Lot to the Servicer/Administrator no later than the final Purchase Date established by the Servicer/Administrator for such Commitment Lot.

(d) If after the Commitment Lot is set as described above, the Servicer/Administrator does not deliver Certificates to the Trustee in the aggregate principal amount equal to the respective Commitment Lot Amount, plus or minus 10%, on the Settlement Date, a termination fee shall be due by the Authorities to the Beneficial Owner. The “*Termination Fee*” shall be determined as follows: (a) if the aggregate principal amount of Certificates delivered is less than 90% of the related Commitment Lot Amount, then the Termination Fee equals the sum of (i) the Commitment Lot Amount, minus 10% of the Commitment Lot Amount and minus the amount of Certificates purchased by the Trustee relating to that Commitment Lot, multiplied by (ii) 0.2625% or (b) if the aggregate principal amount of Certificates delivered is greater than 110% of the related Commitment Lot Amount, then the Termination Fee equals the sum of (i) the amount of Certificates purchased by the Trustee, minus the Commitment Lot Amount and minus 10% of the Commitment Lot Amount, multiplied by (ii) 0.2625%. The Trustee will immediately determine such Termination Fee and notify the Authorities and the Beneficial Owner of the establishment of a Termination Fee. The Trustee shall pay such Termination Fee to the Beneficial Owner on the related Settlement Date (with funds in the Non-Origination Fee Fund, the Costs of Issuance Fund or other funds provided by the Authorities to the extent moneys are not otherwise available in those funds); *provided*, if no Certificates are delivered to the Trustee with respect to a Commitment Lot, the Trustee shall pay such amount to the Beneficial Owner within ten Business Days of the date set forth above for the calculation of such Termination Fee (but only from the sources listed above). The payment of any Termination Fee shall not result in the extension of time allowed to purchase Certificates for such related Commitment Lot. In any event, if the Servicer/Administrator delivers Certificates to the Trustee on the Certificate Acquisition Date in an aggregate principal amount equal to the respective Commitment Lot Amount, plus or minus 10%, then no Termination Fee shall be due.

## ARTICLE IV

### ORIGINATION AND CLOSING OF MORTGAGE LOANS

*Section 4.01. Agreement to Originate and Sell.* Each Participant hereby agrees to use its best efforts during the Origination Period to originate Mortgage Loans for sale to the

Servicer/Administrator, without recourse (except as otherwise provided herein), at the Mortgage Loan Purchase Price, all upon the terms and conditions set forth herein.

*Section 4.02. Issuance of Commitments; Federal and State Law Reservations; Limitations on Conventional Mortgage Loans.*

(a) *Commitments.* During the Origination Period, each Participant shall issue Commitments to Eligible Borrowers for Mortgage Loans and sell such Mortgage Loans to the Servicer/Administrator as soon as practicable after Closing, except as provided in Section 4.03. Each Commitment shall specify a Closing Date that shall be during the Origination Period.

Applications for Mortgage Loans shall be accepted and processed on a first-come, first-served basis, except as provided in subparagraphs (b), (c), (d) and (e) of this Section 4.02. The Participant shall register a loan within 48 hours of the Loan application via McWeb. This registration shall constitute a reservation of a portion of the related Commitment Lot.

If, at any time subsequent to a reservation for a Mortgage Loan, it shall become apparent to the Participant that a Mortgage Loan will not proceed to closing for any reason, including, but not limited to the fact that such Mortgage Loan will not meet the requirements of this Agreement, the Participant shall promptly notify the Servicer/Administrator via McWeb.

(b) *Targeted Area Mortgage Loan Reservation.*

Each Participant shall use its best efforts to process applications and issue Commitments for, and to originate Targeted Area Mortgage Loans. Each Participant shall use reasonable efforts in attempting to originate Targeted Area Mortgage Loans, such as by advertising that Mortgage Loans are available for Targeted Areas.

The Authorities agree to consult with Bond Counsel as to the extent, if any, that amounts of proceeds of the Bonds must be made available for Targeted Area Mortgage Loans to satisfy the requirements of Section 143 of the Code, and if any such reservation requirement exists to advise the Servicer/Administrator and the Participants of the amounts that must be made so available and for what time period. If the Authorities notify the Servicer/Administrator that such a reservation requirement exists, the Servicer/Administrator shall, based upon information provided by the Participants (via McWeb), monitor the reservation of Targeted Area Mortgage Loans. If continuing to accept reservations for Non-Targeted Area Mortgage Loans would result in less than the required amount, if any, being available to finance Mortgage Loans for Residences in Targeted Areas (excluding funds available for Down Payment Assistance) for the required period, if any, the Servicer/Administrator will provide notice to the Participants (via McWeb) that reservations for Non-Targeted Area Mortgage Loans cannot continue to be accepted until the earlier to occur of the date specified by the Authorities based on the advice of Bond Counsel and the date the Participants have submitted reservations for Targeted Area Mortgage Loans to the Servicer/Administrator pursuant to the terms of this Agreement in an aggregate principal amount of not less than the amount specified by the Authorities based on the advice of Bond Counsel.

(c) *Manufactured Housing Mortgage Loan Reservation.* Pursuant to the Act, for the three-month period commencing on the Bond Closing Date, an amount equal to 10% of the aggregate amount available to finance Mortgage Loans must be reserved to finance Mortgage Loans for Manufactured Housing. The Servicer/Administrator shall, based upon information provided by Participants (via McWeb), monitor the reservation of Mortgage Loans for Manufactured Housing. If continuing to accept reservations for other Mortgage Loans would result in less than \$10,000,000 being available to finance Mortgage Loans for Manufactured Housing (excluding funds available for Down Payment Assistance), the Servicer/Administrator will provide notice to the Participants (via McWeb) that (i) reservations for Mortgage Loans for Residences that are not Manufactured Housing cannot continue to be accepted until the earlier to occur of (A) November 5, 2004 or (B) the date the Participants have submitted reservations for Mortgage Loans for Manufactured Housing to the Servicer/Administrator pursuant to the terms of this Agreement in an aggregate principal amount of not less than \$10,000,000 and (ii) reservations for Mortgage Loans for Manufactured Housing will continue to be accepted.

The Authorities agree to establish Commitment Lots at the times and in the amounts necessary such that amounts are continuously available for the purchase of Mortgage Loans for Manufactured Housing until the earlier to occur of (A) November 5, 2004 or (B) the date the Participants have submitted reservations for Mortgage Loans for Manufactured Housing to the Servicer/Administrator pursuant to the terms of this Agreement in an aggregate principal amount of not less than \$10,000,000.

(d) *Low Income Family Mortgage Loan Reservation.* Pursuant to the Act, for the 60-day period commencing on the Bond Closing Date, an amount equal to 30% of the aggregate amount available to finance Mortgage Loans must be reserved to finance Mortgage Loans for Low Income Families. The Servicer/Administrator shall, based upon information provided by Participants (via McWeb), monitor the reservation of Mortgage Loans for Low Income Families. If continuing to accept reservations for other Mortgage Loans would result in less than \$30,000,000 being available to finance Mortgage Loans for Low Income Families (excluding funds available for Down Payment Assistance), the Servicer/Administrator will provide notice to the Participants (via McWeb) that (i) reservations for Mortgage Loans for Eligible Borrowers who are not Low Income Families cannot continue to be accepted until the earlier to occur of (A) October 4, 2004 or (B) the date the Participants have submitted reservations for Mortgage Loans for Low Income Families to the Servicer/Administrator pursuant to the terms of this Agreement in an aggregate principal amount of not less than \$30,000,000 and (ii) reservations for Mortgage Loans for Low Income Families will continue to be accepted.

The Authorities agree to establish Commitment Lots at the times and in the amounts necessary such that amounts are continuously available for the purchase of Mortgage Loans for Low Income Families until the earlier to occur of (A) October 4, 2004 or (B) the date the Participants have submitted reservations for Mortgage Loans for Low Income Families to the Servicer/Administrator pursuant to the terms of this Agreement in an aggregate principal amount of not less than \$30,000,000.

(e) *Limitation on Conventional Mortgage Loans.* The Servicer/Administrator may, but shall not be required to, purchase Conventional Mortgage Loans pursuant to this Agreement with an aggregate principal amount of more than \$10 million. The Servicer/Administrator shall,

based upon information provided by Participants (via McWeb), monitor the reservation of Conventional Mortgage Loans. If continuing to accept reservations for Conventional Mortgage Loans would result in more than \$10,000,000 (excluding funds available for downpayment assistance) (or such greater amount as the Servicer/Administrator in its sole discretion agrees to purchase) being used to finance Conventional Mortgage Loans, the Servicer/Administrator will provide notice to the Participants (via McWeb) that reservations for Conventional Mortgage Loans cannot continue to be accepted.

*Section 4.03. Origination Procedures; Mortgage Loan Terms.* All Mortgage Loans originated by a Participant for Purchase by the Servicer/Administrator hereunder shall comply in all respects with all terms and provisions of this Agreement, including those set forth in this Section 4.03.

(a) *Origination Standards.* The Participants shall originate all Mortgage Loans in accordance with the loan origination, eligibility, and credit underwriting standards of FHA, VA, or Fannie Mae, as applicable, in effect during the Origination Period under the GNMA Guide, the Fannie Mae Guides and the Loan Origination Guidelines. Notwithstanding the foregoing, Participants are permitted to accept cosignors and guarantors on behalf of Eligible Borrowers in accordance with the Agreement, *provided* that all the requirements of FHA, VA, or Fannie Mae, as applicable, and the following conditions are met: (i) such cosignor/guarantor is acting in such capacity solely for purposes of providing additional security for the Mortgage Loan, (ii) such cosignor/guarantor has no Present Ownership Interest or other financial interest in the Residence, (iii) such cosignor/guarantor has no intention to and will not occupy the Residence as a permanent residence, and (iv) the cosignor/guarantor executes the Affidavit of Cosignor or Guarantor.

(b) *Mortgage Loan Terms.* Each Mortgage Loan:

(i) shall be made to an Eligible Borrower to provide financing for a Principal Residence;

(ii) shall be evidenced by a Mortgage Note and secured by a Mortgage creating a first lien on such Residence, subject to Permitted Encumbrances;

(iii) shall bear interest at a fixed rate as specified in the Commitment Lot Notice, which interest shall be payable in arrears;

(iv) shall provide for level monthly payments of principal and interest representing the amount necessary to fully amortize the Mortgage Loan over a 30 year term;

(v) shall provide for payments to be due and payable on the first day of each month and for an initial principal payment not later than the first day of the second month following the Closing Date, and may include provision for a grace period not exceeding 15 days and late payment charges in amounts not in excess of the customary charges permitted by the FHA, VA, or Fannie Mae, as applicable;

(vi) shall be in a principal amount not exceeding such amount as conforms to the eligibility and credit underwriting standards specified herein and the applicable limitations of FHA, VA, the PMI Insurer or Fannie Mae, as applicable, as of the Closing Date;

(vii) shall be the subject of FHA Insurance, VA Guaranty, or Private Mortgage Guaranty Insurance, as applicable, and shall conform in all respects to the eligibility and credit underwriting standards specified by FHA, VA, PMI Insurer or Fannie Mae, as applicable;

(viii) shall include a provision in a rider attached thereto restricting the assumption thereof to Eligible Borrowers under terms and conditions meeting the assumption requirements of this Agreement;

(ix) shall include a rider in the form attached hereto as Exhibit G;

(x) shall be the subject of a Title Policy or a valid commitment for issuance of a Title Policy;

(xi) shall be current in payments of principal, interest, taxes, and insurance;

(xii) shall be in an amount not in excess of the Maximum Acquisition Cost of the Residence being financed;

(xiii) shall comply in all respects with the GNMA Guide and FHA or VA rules and regulations, or the Fannie Mae Guides and Fannie Mae and PMI Insurer rules and regulations, each as applicable; and

(xiv) shall mature not later than 60 days prior to the final Bond maturity date.

(c) *Fees and Charges.* Upon receipt of an application for a Mortgage Loan, a Participant may charge an application fee, appraisal fee, credit report fee, and similar fees, but only to the extent permitted by Law and only to the extent such fees do not exceed the reasonable and customary amounts charged for mortgage loans not funded from the proceeds of tax exempt bonds. At the Closing, a Participant may collect from either the Eligible Borrower or Seller (i) the Origination Fee, plus an amount not to exceed 1.0% of the principal amount of the Mortgage Loan (ii) the Mortgage Loan Compliance Review Fee and (iii) and all other reasonable and customary charges paid or incurred by Participant for hazard or mortgage insurance premiums, tax service fee, any FHA Insurance, VA Guaranty fee, or PMI Insurer fee, survey, title insurance, appraisal fees, abstract and attorneys' fees, recording or registration charges, escrow fees, file preparation fees, credit reports, and similar charges, but only to the extent permitted by Law and only to the extent such charges do not exceed the reasonable and customary amounts charged by the Participant for mortgage loans not funded from the proceeds of tax exempt bonds. Any amounts collected by Participant with respect to a Mortgage Loan prior to the Closing Date from either the Eligible Borrower or the Seller shall be credited to the proper party at the Closing. No other fees, charges, or remuneration of any kind may be received by or on behalf of any Participant from any person in connection with a Mortgage Loan under the Program.

(d) *Verification of Mortgage Eligibility Requirements.* In order to ensure that each Mortgage Loan is made to an Eligible Borrower to finance a Residence in accordance with section 143 of the Code, each Participant shall use good faith and all due diligence in carrying out the following procedures with respect to each Mortgage Loan:

(i) the Participant shall obtain an affidavit duly executed at closing by the Mortgagor, and the Affidavit of Cosignor or Guarantor, if appropriate, and shall review, verify and certify that the requirements of Sections 2.04 and 4.03(b) are satisfied;

(ii) except in the case of a Targeted Area Mortgage Loan, the Participant shall obtain signed or certified copies of the Mortgagor's executed federal income tax return or other written evidence from the Internal Revenue Service acceptable to the Servicer/Administrator for the three years preceding the Closing Date for the Mortgage Loan (except that the Mortgagor's federal income tax return for the immediately preceding tax year shall not be required, unless already filed, before April 1 of the then current calendar year) and shall review same to verify that the Mortgagor did not claim deductions for taxes or interest on indebtedness with respect to a Principal Residence; *provided, however,* that, in lieu of one or more of such tax returns, the Participant may accept the Mortgagor's certification contained in the Affidavit of Mortgagor that the Mortgagor was not required to file such a return in accordance with section 6012 of the Code during one or more of the preceding three years;

(iii) the Participant shall perform such additional investigation as may be appropriate under the circumstances (including, but not limited to, personal or telephone interviews with the Mortgagor and the Seller, examination of canceled checks or receipts evidencing payment of rent, review of employment and utility records, review of the purchase contract for the Residence to determine the Acquisition Cost, and review of title information to verify the absence of any existing permanent mortgage on the Residence executed by the Mortgagor) to verify that the requirements of section 143 of the Code (see Section 2.04) are satisfied as of the date of the execution of the Mortgage;

(iv) the Participant shall review the draft settlement statement to assure that all fees and charges and settlement and financing costs comply with the requirements of this Agreement;

(v) the Participant shall prepare, execute, and deliver the Certificate of Participant; and

(vi) the Participant shall carry out such additional verification procedures as may be reasonably requested by the Servicer/Administrator, the Trustee or the Authorities.

The obligations of the Participants pursuant to this paragraph 4.03(d) shall inure to the benefit of the Authorities, the Trustee and the Servicer/Administrator.

(e) *Maximum Acquisition Cost.* As set forth in 2.04(a)(iv), no Residence financed under the Program may have an Acquisition Cost in excess of the Maximum Acquisition Cost.

(f) *Recapture of Federal Subsidy of Mortgage Loans.* Mortgagors may be required to share gain on the disposition of the Residence with the federal government. Under the Code, the benefit of the lower interest rates provided under the Program must be “recaptured” upon disposition of the Residence within nine years of its acquisition. The Recapture is accomplished by means of a tax levied on the Mortgagor as part of his or her Individual Tax Liability when the Residence is sold or transferred. The Maximum Amount of the Recapture is equal to 6.25% of the Highest Principal Amount of the Mortgage Loan for which the Mortgagor was liable. This Maximum Amount is reduced *pro rata* to reflect shorter or longer than five year holding periods, decreasing to zero for sales occurring nine years or more after the Recapture period begins. The Maximum Amount is also reduced or eliminated for taxpayers whose income at the time of disposition of their Residence is less than the federally-prescribed Income Limit. The Recapture amount is subject to a limit of 50% of the amount of the gain realized on disposition of the Residence. The Recapture provisions do not apply to disposition of a Residence by reason of death or to any disposition occurring more than nine years after the Mortgagor becomes liable in whole or in part for the payment of the Mortgage Loan. The Participants must provide to each Mortgagor, notice (A) upon receipt of a Mortgage Loan application, that the Mortgage Loan is subject to the Recapture provisions of the Code, and (B) upon the Closing of a Mortgage Loan, of the Federally-subsidized Amount and the Modified Amount applicable, during each of the nine years following the origination of the Mortgage Loan, due to qualifying income for each category of family size. Such notices shall be substantially in the form of the Notices to Buyer. About Recapture Tax and Recapture Tax Notice to Mortgagor attached hereto as Exhibits E-1, E-2 and J, respectively. If such notices are attached to a Mortgage Loan and the Mortgage Loan is not in fact purchased by the Servicer/Administrator, the Participant shall give prompt written notice to the Mortgagor that these Recapture provisions are not applicable. Information returns required to be submitted by real estate brokers under section 6045(e) of the Code, and statements of such returns furnished to customers, must indicate whether the Seller’s Mortgage Loan was federally-subsidized within the meaning of the Recapture requirements.

*Section 4.04. Prohibition of Discrimination.* No Participant shall 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 the race, color, religion, national origin, age, sex, or marital status of such applicant. In accepting, evaluating, and acting upon such applications, Participants shall comply, if applicable, with the Federal Fair Housing Act and with the Federal Equal Credit Opportunity Act and Regulation B promulgated thereunder. All applications for Mortgage Loans and evidence of actions taken with respect thereto shall be retained by Participant in accordance with all applicable federal laws and regulations. Nothing in this Section 4.04 shall be deemed to prohibit or limit the reservations permitted in or required by Section 4.02.

*Section 4.05. Mortgage Loan Submission and Purchase.*

(a) The Participant shall register a loan within 48 hours of the Mortgage Loan application via McWeb; shall submit the underwriter’s certification via McWeb following underwriting approval no later than 45 days after registration of the Mortgage Loan via McWeb and prior to Closing; and shall submit the Mortgage Documents and Exhibits not more than 30 days after the respective Closing Date and not more than 85 days after registration of the Mortgage Loan via McWeb; *provided, that*, the Servicer/Administrator in its sole discretion may



waive the 30-day limitation or the 85-day limitation. The Participant shall pay a \$275 Mortgage Loan Compliance Review Fee which shall be subtracted from the purchase price of the Mortgage Loan. The Participant acknowledges that, as a condition to acceptance and purchase of the Mortgage Loan by the Servicer/Administrator, the Mortgage Loan shall, in addition to other requirements set forth herein, (i) be current by the Mortgagor in payments of principal, interest, taxes and insurance, and (ii) be in compliance with the requirements of the GNMA Guide or Fannie Mae Guides, as applicable. Upon the submission of the Mortgage Documents to the Servicer/Administrator, the Participant shall submit to the Servicer/Administrator all additional documents required by the Servicer/Administrator for purposes of submission to GNMA of the Pool Documentation Package. A list of the Pool Documentation Package is provided in Exhibit I. The Participant shall pay all costs of preparing and furnishing to the Servicer/Administrator the Mortgage Loan file including original and certified copies of the respective documents and instruments described in the Exhibits, and may recover such costs from the Mortgagor or the Seller to the extent permitted by Section 4.03(c).

(b) The Servicer/Administrator shall review such documents with respect to each Mortgage Loan in accordance with Section 6.04 and shall approve or disapprove such Mortgage Loan for Purchase within three Business Days after receipt of the Mortgage Documents. The Servicer/Administrator shall deliver to the Trustee at least 15 days prior to the Certificate Acquisition Date the Servicer/Administrator's Certificate in the form of Exhibit H hereto. Any Mortgage Loan with respect to which the Mortgage Loan file is deemed to be defective, or any Mortgage Loan that is otherwise not acceptable for Purchase in accordance with the terms of the Program Documents, may be returned by the Servicer/Administrator, with all documents submitted in accordance with this Section 4.05, to the Participant to be cured, if possible, or the Servicer/Administrator, in its sole discretion, may hold such Mortgage Documents pending correction of the defect as specified in a notice or other communication to the Participant. To be purchased hereunder, such Mortgage Loan must be resubmitted in accordance with the procedures of this Section 4.05. The examination of a Mortgage Loan file by the Servicer/Administrator hereunder shall not constitute a waiver of any warranty, representation, or covenant by the Participant, the Mortgagor, or any other party connected with the Mortgage Loan, with respect to such Mortgage Loan.

(c) Notwithstanding the delivery procedures of this Section 4.05, the Servicer/Administrator may, in its sole discretion, accept Mortgage Documents that contain certified copies of the Mortgage and the assignment of Mortgage Note and Mortgage in lieu of the originals of same, a valid commitment for the issuance of a Title Policy in lieu of a Title Policy, and a valid commitment for issuance of FHA Insurance, VA Guaranty, or Private Mortgage Guaranty Insurance in lieu of an FHA Insurance, VA Guaranty, or Private Mortgage Guaranty Insurance certificate, and may approve the pertinent Mortgage Loan for Purchase without such originals or certificate if the Mortgage Loan file is otherwise complete, all other Mortgage Documents are present, and the Mortgage Loan otherwise qualifies for Purchase hereunder. The Purchase of such Mortgage Loan is subject in all respects to Section 4.11, and the original Mortgage, the original assignment of Mortgage Note and Mortgage, the Title Policy, and either the FHA Insurance, the VA Guaranty, or Private Mortgage Guaranty Insurance certificate must be delivered to the Servicer/Administrator within 90 days from the Closing of the subject Mortgage Loan to prevent a "Defect" (as defined in Section 4.11) from occurring. The Participant shall further perform any other action or deed as the Servicer/Administrator may

direct to cause the proper filing or recording of the Mortgage in such other places and in such other manner, form, or condition satisfactory to the Servicer/Administrator and that may be necessary to perfect the GNMA or Fannie Mae Custodian's security interest in each Mortgage Note and related Mortgage.

(d) All Mortgagor payments on account of taxes or insurance collected by a Participant with respect to a Mortgage Loan prior to the submission of such Mortgage Loan to the Servicer/Administrator shall be held by such Participant in an Escrow Account. As of the Purchase Date, such Escrow Account shall be transferred by the Participant to the Servicer/Administrator.

(e) For each Mortgage Loan originated by a Participant that is in compliance with all of the terms and conditions of this Agreement, for which the Mortgage Loan file has been prepared and presented to the Servicer/Administrator in the form and manner required by this Section 4.05, and for which funds are available from the Program for the purchase of the Certificate backed by such Mortgage Loan, and for which all of the other conditions hereof have been fulfilled, the Servicer/Administrator shall pay to the Participant on the related Purchase Date for such Mortgage Loan the Mortgage Loan Purchase Price. Prior to the Purchase of a Mortgage Loan, the Participant shall record or file for record the assignment of Mortgage Note and Mortgage for such Mortgage Loan in all offices necessary to perfect the Servicer/Administrator's lien. Each Participant shall service each Mortgage Loan it originates from the Closing Date to the Purchase Date therefor, which servicing shall include processing, posting payments and paying taxes and insurance with respect to such Mortgage Loan. Each Participant shall be obligated to pay any fees or penalties associated with late payment of taxes and/or insurance which were due with respect to a Mortgage Loan from the Closing Date to the Purchase Date thereof.

(f) Each Participant shall also provide to the Servicer/Administrator such information regarding the Mortgage Loans being sold by such Participant as may be reasonably requested by them.

(g) With respect to each Mortgage Loan, each Participant shall provide to the Servicer/Administrator at the time a Mortgage Loan is submitted for Purchase a report of the data required to be reported by originating lenders under the Federal Home Mortgage Disclosure Act.

*Section 4.06. GNMA Certificate Submission and Purchase.*

(a) After Purchase, the Servicer/Administrator shall, as soon as practicable, pool the FHA Mortgage Loans or VA Mortgage Loans in accordance with the GNMA Guide and the Pool Documentation Package in order to issue a GNMA Certificate (or effect book entry registration thereof as permitted by the Indenture) relating to such Mortgage Loans. Each Pool shall consist entirely of Mortgage Loans bearing the same interest rate. Upon approval of such documentation by GNMA or its designated agent and execution of such GNMA Certificate by GNMA, the Servicer/Administrator shall use its best efforts to sell the GNMA Certificate for such Mortgage Loans to the Trustee, no later than 60 days from the commencement of the pooling process with respect to such Mortgage Loans. GNMA Certificates shall be based on and

backed by Pools in a minimum outstanding principal amount of \$25,000 or such lesser amount as may be permitted or approved by GNMA. The Servicer/Administrator will give at least 15 days notice to the Trustee before each proposed delivery date of a GNMA Certificate of the aggregate principal of and accrued interest on the GNMA Certificate to be acquired, including the principal amount backed by FHA Mortgage Loans or VA Mortgage Loans on Targeted Area Residences and will issue a related certificate substantially in the form of Exhibit H to the Trustee to the effect that each Mortgage Loan purchased by the Servicer/Administrator complies with the Mortgage Loan eligibility requirements set forth herein and that all prerequisites to the issuance (or book entry) of the GNMA Certificates have been satisfied. The Trustee, upon receipt of such certificate and satisfaction of the conditions specified in Section 5.02 of the Indenture will, on each Certificate Acquisition Date, pay to the Servicer/Administrator or to the order of the Servicer/Administrator the GNMA Certificate Purchase Price for the GNMA Certificate (or book entry thereof). GNMA's Custodian will retain (i) the original Mortgage Note, (ii) an assignment of the Mortgage Note and Mortgage in recordable form, (iii) the original recorded Mortgage, and (iv) the FHA Insurance certificate. All other documents will be retained by the Servicer/Administrator.

(b) Notwithstanding anything to the contrary herein, neither the Authorities nor the Trustee shall be under any obligation to purchase a Certificate if funds are not available in the Acquisition Fund on the proposed Certificate Acquisition Date to pay the GNMA Certificate Purchase Price or the Fannie Mae Certificate Purchase Price, as applicable.

*Section 4.07. Sale of Fannie Mae Certificates.* It is hereby recognized and acknowledged that the procedures set forth in this Section are applicable to the sale of Fannie Mae Certificates by the Servicer/Administrator as of the date of this Agreement, and the parties hereto further recognize and acknowledge that the procedures, guidelines and policies of Fannie Mae may be amended or modified in the future to such an extent that it may become impractical or impossible for the Servicer/Administrator to perform pursuant to this Agreement, in which event Servicer/Administrator shall not be held responsible for such failure to perform.

(a) Subject to the terms and conditions hereof, the Participant shall use its best efforts during the Origination Period to originate Conventional Mortgage Loans in accordance with the terms of this Agreement and the Fannie Mae Guides, and the Servicer/Administrator shall pay all fees required by Fannie Mae in connection with the issuance of Fannie Mae Certificates, except fees payable to Fannie Mae for the restructuring of the Fannie Mae Certificates in connection with the defeasance of the Bonds.

(b) It is recognized and agreed that in accordance with the Fannie Mae Guides, the Servicer/Administrator in its best judgment shall cause Fannie Mae to issue Fannie Mae Certificates which shall be comprised of a Pool in a minimum outstanding principal amount of \$250,000 of Conventional Mortgage Loans, or such lesser amount as may be permitted or approved by Fannie Mae, and shall be issued in accordance with Section 4.07(g).

(c) The Participant shall, during the Certificate Purchase Period, maintain current records with respect to the principal amounts of Conventional Mortgage Loans that have been originated by the Participant for the purpose of determining the date on which any Fannie Mae Certificate based on and backed by the Pool shall be issued by Fannie Mae. The Participant shall

exercise its best judgment to cause the aggregation of Conventional Mortgage Loans to occur to enable the formation of a Pool in as expeditious a manner as possible. Conventional Mortgage Loans shall, in any case, be originated by the Participant without any delays resulting to the Authorities or the Mortgagor. The Servicer/Administrator may, in its discretion, make the determination to provide for the issuance of Fannie Mae Certificates at such time, in the judgment of the Servicer/Administrator, as the amount of eligible Conventional Mortgage Loans originated by the Participants is sufficient for the issuance of Fannie Mae Certificates.

(d) The Servicer/Administrator shall aggregate the Conventional Mortgage Loans originated by the Participants during the Certificate Purchase Period. The Servicer/Administrator may “warehouse” any portion of such Mortgage Loans until the aggregation of the Conventional Mortgage Loans is sufficient to form a Pool at which time the Servicer/Administrator will cause the issuance of any Fannie Mae Certificates. In the event that the Servicer/Administrator has Conventional Mortgage Loans in a sufficient aggregate principal amount to constitute a Pool and, to cause the issuance of a Fannie Mae Certificate with respect to such Pool, as soon as possible thereafter, the Servicer/Administrator shall aggregate all such Conventional Mortgage Loans to form such Pool, shall submit an appropriate application to Fannie Mae for the issuance of such Fannie Mae Certificate in accordance with this Agreement and shall use its best efforts to sell such Fannie Mae Certificate to the Trustee not later than 60 days from the commencement of the pooling process with respect to such Conventional Mortgage Loans.

(e) The Servicer/Administrator shall ensure that the total original outstanding principal amount of any Fannie Mae Certificate issued by Fannie Mae based on and backed by a Pool will not be issued in an amount which, in Servicer/Administrator’s good faith judgment, would either (i) preclude the subsequent origination of Conventional Mortgage Loans or (ii) if Conventional Mortgage Loans have been originated and a Pool is comprised of such Conventional Mortgage Loans, preclude the issuance of a Fannie Mae Certificate backed by such Pool.

(f) The Servicer/Administrator will ensure that the Program shall have at least equal priority with respect to the other activities of the Servicer/Administrator to any unfunded Fannie Mae Certificates available to the Servicer/Administrator or to the issuance of any other Fannie Mae Certificates not specifically pledged to an identifiable lending activity.

(g) Pursuant to the current standards and policies of Fannie Mae as set forth in the Fannie Mae Guides, the Servicer/Administrator may provide for the issuance of Fannie Mae Certificates by purchasing Conventional Mortgage Loans to be delivered to Fannie Mae to constitute Pools in a minimum original outstanding principal amount of \$250,000 or such lesser amount as may be permitted or approved by Fannie Mae. The total principal amount of any issue of Fannie Mae Certificates shall equal the aggregate unpaid principal balances of Conventional Mortgage Loans in the Pool. Each Pool shall consist entirely of Mortgage Loans bearing the same interest rate.

(h) The Servicer/Administrator agrees to notify the Trustee at least 15 calendar days before each proposed delivery to the Trustee of a Fannie Mae Certificate, of the aggregate principal amount of the Fannie Mae Certificate to be acquired, including the principal amount

backed by Conventional Mortgage Loans on Targeted Area Residences and will issue a related certificate substantially in the form of Exhibit H to the Trustee to the effect that each Mortgage Loan backing such Fannie Mae Certificate complies with the Mortgage Loan eligibility requirements set forth herein and that all prerequisites to the issuance of the Fannie Mae Certificate have been satisfied. The Trustee shall pay to the Servicer/Administrator the Fannie Mae Certificate Purchase Price for the acquisition of a Fannie Mae Certificate only upon receipt of the Mortgage Submission Voucher with respect to each Mortgage Loan in the Pool backing the Fannie Mae Certificate.

In the event such Fannie Mae Certificates subsequently should no longer be pledged to back the Bonds, such Fannie Mae Certificates shall not be transferred except as provided in the Pool Purchase Contract and as provided for in the Indenture. The prior sentence shall not be amended without the consent of Fannie Mae. The Authorities and the Trustee hereby acknowledge that no Fannie Mae Prospectus Supplement will be prepared or available as to the Fannie Mae Certificates.

(i) In conjunction with the delivery of each Fannie Mae Certificate to the Trustee for purchase, the Servicer/Administrator shall notify the Trustee of the aggregate original principal amount of Conventional Mortgage Loans and FHA Mortgage Loans on Targeted Area Residences represented by such Fannie Mae Certificate.

(j) Notwithstanding anything to the contrary herein, neither the Authorities nor the Trustee shall be under any obligation to purchase any Certificates if the Bonds are not delivered.

*Section 4.08. Reserved.*

*Section 4.09. Maintenance of Mortgage Loan File.* The Servicer/Administrator, upon assignment of the servicing of a Mortgage Loan pursuant to Article V, shall maintain a Mortgage Loan file with respect to each Mortgage Loan purchased hereunder for a minimum of three years from the date the Mortgage Loan is fully paid or otherwise terminated. Such files shall be kept at the Servicer/Administrator's regular place of business and shall be available for inspection at reasonable times and in a reasonable manner by the Trustee, GNMA, Fannie Mae and the Authorities and their respective agents. Thereafter, the Servicer/Administrator shall retain copies of such instruments or documents contained in the Mortgage Loan file as it shall deem necessary or desirable.

*Section 4.10. Limited Liability.* The Bonds shall not constitute general or moral obligations of the Authorities, and under no circumstances shall the Bonds be payable from, nor shall the Owners thereof have any rightful claim to, any income, revenues, funds or assets of the Authorities, other than those pledged under the Indenture as security for the payment of the Bonds, as more fully set forth in the Indenture.

*Section 4.11. Defects.*

(a) Following the Purchase of any Mortgage Loan, and notwithstanding the review of the Mortgage Documents pursuant to Section 4.05, if (i) any document constituting a part of the Mortgage Documents, in the sole reasonable judgment of the Servicer/Administrator, is defective or inaccurate in any material respect, (ii) any closing document shall not be valid and binding,

(iii) any representation or warranty of the Participant, in the sole reasonable judgment of the Servicer/Administrator, is untrue or incorrect in any material respect, (iv) the GNMA Custodian fails to approve the Pool Documentation Package, (v) the Mortgagor fails to make his first payment due under the Mortgage Loan, or (vi) the Servicer/Administrator forecloses on a Mortgage Loan pursuant to Section 4.11(b) (any of the foregoing being referred to as a "Defect"), such Participant shall cure such Defect within a period of 30 days from the time it receives notice of the existence of such Defect or such shorter period as may be required by Law or this Agreement. Each Participant hereby agrees that, if any Defect cannot be cured within such 30 day period, or such shorter period if applicable, it will: (A) not later than 60 days after notice to it respecting such Defect as to a Mortgage Loan with an unpaid principal balance, repurchase the related Mortgage Loan from the Servicer/Administrator at a price equal to (1) 105.25% of the unpaid principal balance of such Mortgage Loan (which includes the Down Payment Assistance paid by the Servicer/Administrator to the Participant for such Mortgage Loan), plus (2) any accrued and unpaid interest at the annual rate borne by the Mortgage Note to the end of the month following the date of the repurchase, plus (3) any fees charged the Servicer/Administrator by either GNMA or Fannie Mae for repurchase of the Mortgage Loan out of the Pool, if applicable, plus (4) if such repurchase is made necessary by the willful malfeasance or bad faith on the part of the Participant or by reason of the Participant's reckless disregard of its obligations hereunder as determined by the Servicer/Administrator, an amount equal to 3% of the unpaid principal amount of such Mortgage Loan and (B) in all cases, whether or not the Mortgage Loan has been repaid or otherwise satisfied, it will indemnify and hold harmless the Authorities, the Trustee, and the Servicer/Administrator for any loss, damage, forfeiture, penalty, or expenses (including reasonable attorneys' fees) incurred by them in connection with the defective Mortgage Loan; *provided, however*, that for the purpose of this paragraph 4.11(a) the falsity of a representation by a Mortgagor respecting some fact or facts that (1) the Participant is entitled to rely upon under the provisions of this Agreement, (2) is of such nature that, although false, security for any one due payment of the pertinent Mortgage Loan is not thereby adversely affected, (3) is relied upon by the Participant in good faith, and (4) in the opinion of Bond Counsel, does not alter the tax exempt status of the Bonds, shall not be deemed a material defect or inaccuracy. The balance of the purchase price of the defective Mortgage Loan shall be remitted by the Participant to the Servicer/Administrator, with notice to the Trustee of the amount of such remittance and the Mortgage Loan concerned and, upon compliance with all of the terms of this Section by such Participant, the Servicer/Administrator shall assign and deliver the related Mortgage Documents to the Participant without recourse. The Participant hereby waives any statute of limitations or other Law that might otherwise be raised in defense to any repurchase hereunder. If the Participant fails to repurchase a defective Mortgage Loan at the time and in the manner provided in this Section 4.11, the Servicer/Administrator shall terminate all of the Participant's rights pursuant to this Agreement as provided in Section 8.02.

(b) Notwithstanding anything set forth in Section 4.11(a) above, in the event the Servicer/Administrator, the Trustee, the Authorities, or the Participant becomes aware subsequent to a Certificate Acquisition Date, with respect to any Mortgage Loan backing a Certificate, that such Mortgage Loan, as of the date of execution of the Mortgage, did not satisfy the requirements of section 143 of the Code (see Section 2.04) and such Mortgage Loan has not been repurchased, the Servicer/Administrator shall provide written notice by certified mail, return receipt requested, to the Mortgagor declaring the entire unpaid balance of the Mortgage

Loan due and payable within 20 days of said notice, and the Servicer/Administrator shall then pursue foreclosure and all other available remedies.

## **ARTICLE V**

### **ASSIGNMENT OF SERVICING**

*Section 5.01. Participant to Assign Servicing.* Each Participant hereby agrees to assign to the Servicer/Administrator the right to service each Mortgage Loan originated by such Participant at the time of Purchase by the Servicer/Administrator. The Servicer/Administrator hereby agrees to assume the servicing obligations of this Agreement with respect to the assigned Mortgage Loans; *provided, however,* that the obligations of the Participants set forth in Section 4.11 shall survive such assignment as obligations of such Participant.

*Section 5.02. Participant Requirements.* On each Purchase Date, the Participant shall assign the Mortgage Loans it originates hereunder and the servicing in connection therewith to the Servicer/Administrator, which Mortgage Loans shall be included in the Pools backing GNMA Certificates to be issued by the Servicer/Administrator or Fannie Mae Certificates to be issued by Fannie Mae. Such assignments shall be made within 30 days of the date of origination of a Mortgage Loan and the assigning Participant shall provide to the Servicer/Administrator such warranties with respect to the Mortgage Loans being assigned as the Servicer/Administrator shall reasonably request. The Servicer/Administrator shall not accept any such assignments after the Origination Period. The Servicer/Administrator will net amounts equal to the Escrow Account and Mortgage Loan Compliance Review Fee from the Mortgage Loan Purchase Price. If the provisions of this Section 5.02 have not been satisfied within ten Business Days of the Purchase Date of the Mortgage Loan, then such Mortgage Loan may be declared a defective Mortgage Loan pursuant to Section 4.11.

## **ARTICLE VI**

### **DUTIES OF THE SERVICER/ADMINISTRATOR**

*Section 6.01. General.* The Servicer/Administrator shall have general responsibility for supervising the Program with respect to the Mortgage Loans it services, for and on behalf of the Authorities, in accordance with the Program Documents. The Servicer/Administrator shall have full power and authority, acting alone, to do and perform any and all things that it may deem necessary or desirable to carry out its duties and responsibilities hereunder, unless contrary to the express provisions of this Agreement. Without limiting the generality of the foregoing, the Servicer/Administrator shall be and is hereby irrevocably authorized and empowered by the Authorities to execute and deliver for and on behalf of the Authorities, with respect to the Mortgage Loans it services, any and all instruments, documents, and writings necessary or desirable to fulfill its duties and responsibilities hereunder as the Servicer/Administrator of the Program, to deliver the properties encumbered by the Mortgages, and to perform any acts to be performed by the Servicer/Administrator under this Agreement.

*Section 6.02. Standards of Administration.* The Servicer/Administrator agrees to administer the Program and make all reports required hereunder, all in accordance with the Program Documents.

*Section 6.03. Reserved.*

*Section 6.04. Servicer/Administrator to Review Mortgage Loans.* The Servicer/Administrator hereby agrees to review the file pertaining to each Mortgage Loan submitted by each Participant for Purchase to determine whether such Mortgage Loan is in compliance with this Agreement and the requirements of section 143 of the Code (see Section 2.04), and that the Participant has complied with the verification requirements set forth in Section 4.03(d). In addition, the Servicer/Administrator shall monitor the Program to ensure that there does not occur any violation of the requirements stated in Section 4.02 regarding certain reservations.

*Section 6.05. Servicer/Administrator to Act as Servicer/Administrator.* The Servicer/Administrator shall service the Mortgage Loans. The Servicer/Administrator shall have full power and authority, acting alone, to do and perform any and all things that it may deem necessary or desirable to carry out its servicing responsibilities hereunder, unless contrary to the express provisions of this Agreement. Without limiting the generality of the foregoing, the Servicer/Administrator shall be and is hereby irrevocably authorized and empowered by the Authorities to execute and deliver for an on behalf of the Authorities, with respect to the Mortgage Loans, any and all instruments, documents, and writings necessary or desirable to carry out its servicing responsibilities hereunder, and to perform any acts to be performed by the Servicer/Administrator under this Agreement, and to file all claims and initiate all proceedings, by foreclosure or otherwise, necessary or appropriate to realize upon the insurance policies and property securing any Mortgage Loans in default or in satisfaction or cancellation, or in partial or full release or discharge of such Mortgage Loans.

*Section 6.06. Standards of Servicing.* The Servicer/Administrator agrees to service, as required hereunder, the Mortgage Loans in accordance with the provisions of this Agreement and with the loan servicing requirements of GNMA, FHA, VA, Fannie Mae and a PMI Insurer, as applicable, relating to mortgage loans serviced under programs regulated by it and in accordance with the Program requirements. The Servicer/Administrator will provide prompt payment of principal and interest to the Trustee or JPMorgan Chase Bank (as central paying agent and transfer agent for GNMA) as required under the GNMA Guide and to Fannie Mae as required under the Fannie Mae Guides, as applicable, which are incorporated by reference as though set forth herein, as each may be in effect during the term of the Program. The Authorities and the Servicer/Administrator, during the term of the Program, may issue amendments, supplements, interpretations, or relevant instructions relating to the servicing of Mortgage Loans under this Agreement for the purposes of clarifying or improving the procedures to be followed in servicing Mortgage Loans under the Program.

The Servicer/Administrator shall perform all of its duties in servicing the Mortgage Loans with due care, diligence, and reasonable promptness.

*Section 6.07. Release of Property from the Lien of a Mortgage.* The Servicer/Administrator may with respect to FHA Mortgage Loans or VA Mortgage Loans with the prior



written consent of FHA or VA, as applicable, and in accordance with the GNMA Guide, or with respect to Conventional Mortgage Loans, with the prior written consent of Fannie Mae, amend the terms or conditions of any Mortgage Loan, release or direct the release of property from the lien of a Mortgage or consent to the grant of, easements or rights of way upon property securing a Mortgage Loan, with appropriate recordation among the records of the local governmental officials; *provided*, that the Servicer/Administrator shall not make any amendment of the terms and conditions of any Mortgage Loan that would result in such Mortgage Loan having a Defect as defined in Section 4.11.

*Section 6.08. Liability of the Servicer/Administrator for Expenses.* The Servicer/Administrator shall be required to pay all expenses incurred by it in connection with its servicing activities hereunder (including the cost of the insurance policies and bonds required by Section 6.14) and shall not be entitled to reimbursement therefor, except as authorized under any of the Program Documents. The Servicer/Administrator also agrees to pay (i) all reasonable costs and expenses actually incurred by the Trustee and the Authorities in investigating the Servicer/Administrator's activities hereunder when, in the opinion of the Trustee or the Authorities, as appropriate, such investigation is warranted on the basis of adverse information about the Servicer/Administrator, and (ii) all reasonable costs and expenses actually incurred by the Trustee and the Authorities in connection with replacing the Servicer/Administrator in the event of default of the Servicer/Administrator under the terms and provisions of this Agreement.

*Section 6.09. Claims Against Insurers.* In connection with its activities as servicer of the Mortgage Loans, the Servicer/Administrator shall comply with any requirements imposed by any issuer of any insurance or bonds required to be maintained under this Agreement, and with all relevant Laws, and shall present, on behalf of the parties in interest, claims against all such insurers of Mortgage Loans or mortgaged premises, and in this regard, shall take all such reasonable action as shall be necessary to permit recovery under all such insurance policies.

*Section 6.10. Servicer/Administrator to Satisfy FHA, VA, PMI Insurer, Fannie Mae and GNMA Requirements.* The Servicer/Administrator shall be responsible for causing all applicable requirements to be satisfied with respect to the Mortgage Loans so that the full benefits of FHA Insurance, VA guaranty, or Private Mortgage Guaranty Insurance will inure to the Servicer/Administrator, and the GNMA guaranty or Fannie Mae guaranty will inure to the benefit of the Trustee on behalf of the Authorities. The Servicer/Administrator shall use its best efforts to obtain the compliance by the Mortgagor or any assumptor permitted by Section 6.11 with all applicable provisions and requirements of GNMA and FHA, VA, or Fannie Mae, each as applicable, in order to maintain such GNMA guaranty and FHA Insurance, VA Guaranty, or the Private Mortgage Guaranty Insurance and the Fannie Mae guaranty, as applicable in full force and effect. All premiums advanced by the Servicer/Administrator in maintaining such FHA Insurance, VA Guaranty, or Private Mortgage Guaranty Insurance, as applicable, shall be added to the amount owing under the Mortgage Loan or the escrow provisions of the Mortgage Loan where the terms of the Mortgage Loan so permit.

*Section 6.11. Assumption Agreements.* A Mortgagor may transfer his or her Residence to any person purchasing the Residence and assuming the Mortgage Loan in accordance with applicable Laws and upon notice to the Servicer/Administrator; *provided however*, that the Servicer/Administrator shall not permit any such assumption nor shall it release any Mortgagor in

connection with such an assumption unless: (a) an Assumption and Release Agreement is entered into by the assumptor which provides for the assumption by such assumptor of the indebtedness evidenced by the Mortgage Note; (b) the Mortgage Loan continues to be insured or guaranteed under any applicable insurance or guaranty policies required by FHA, VA or Fannie Mae; (c) the Servicer/Administrator shall have determined on the basis of affidavits of the Mortgagor and the assumptor (in substantially the forms of the Affidavit of Mortgagor and the Affidavit of Seller, with appropriate modifications) and such other evidence and investigation as the Servicer/Administrator may deem necessary and appropriate, (i) that the assumptor intends to occupy the Residence as his or her Principal Residence within a reasonable time (not to exceed 60 days) after the date of such assumption, (ii) that the assumptor (except in the case of an assumptor who is assuming a Mortgage Loan that will then be a Targeted Area Mortgage Loan) did not have a Present Ownership Interest in a Principal Residence at any time during the three-year period ending on the date of such assumption, (iii) that the Acquisition Cost to the assumptor of such Residence does not exceed the then applicable Maximum Acquisition Cost for an Existing Residence, and (iv) that, on the date of assumption, the assuming Mortgagor qualifies as an Eligible Borrower under the terms hereof as of the effective date of the Assumption and Release Agreement; (d) FHA, VA, or PMI Insurer has given its approval, as applicable; (e) the Mortgage Loan continues to comply with the requirements of the GNMA Guide or Fannie Mae Guides, as applicable; and (f) the assumptor has been provided with the Recapture Tax Notice to Mortgagor in the form attached hereto as Exhibit J, as such Exhibit may be modified in order to treat the assumption date as the Closing Date for such assumption.

In connection with any proposed assumption, the Servicer/Administrator shall determine the qualifications of the assumptor and, if such person is found to be qualified to assume the Mortgage Loan under the provisions of this Agreement, shall prepare an Assumption and Release Agreement and shall obtain the requisite signatures on same. The Servicer/Administrator may collect from the assumptor, in connection with the preparation of the assumption agreement and the release of a Mortgagor pursuant to this Section 6.11, an assumption fee in such amount as may be permitted by Law, and only to the extent such fee does not exceed the reasonable and customary amount charged in connection with the assumption of mortgage loans not funded with the proceeds of tax-exempt obligations. The interest rate on the Mortgage Note shall not be changed in connection with any assumption. The Servicer/Administrator shall deliver a certificate to the Trustee at the time of an assumption in connection with which the Mortgagor is being released pursuant to this Section 6.11 to the effect that the release of the Mortgagor and the assumption agreement prepared in connection therewith meet the terms of this Section 6.11.

The Servicer/Administrator shall not permit the assumption of any Mortgage Loan except in accordance with this Section 6.11.

*Section 6.12. Reports.*

(a) The Servicer/Administrator agrees to prepare and submit to the Authorities the following reports:

(i) on a weekly basis, provide status reports of reservations issued and mortgages purchased for each Commitment Lot;

(ii) the monthly report (GNMA Form 11710A) prepared and submitted to GNMA by the Servicer/Administrator that contains, among other information, information pertaining to the default rate and delinquency statistics with respect to the Mortgage Loans underlying the GNMA Certificates and the Fannie Mae Form "Advice with Respect to Payment and Securities" indicating summary information with respect to the current month's account transactions with respect to the Mortgage Loans underlying the Fannie Mae Certificates, with a copy to the Trustee;

(iii) on a quarterly basis, detailed demographic information;

(iv) on or before 120 days after the end of the Servicer/Administrator's fiscal year, at the Servicer/Administrator's expense, (A) an opinion by a firm of independent certified accountants on the financial position of the Servicer/Administrator at the end of its fiscal year, and the results of operations and changes in financial position for such year then ended on the basis of an examination conducted in accordance with generally accepted auditing standards, and (B) a statement from an independent certified public accountant concerning compliance with servicing standards on the basis of an examination conducted substantially in compliance with the audit program for mortgages serviced for Fannie Mae, the Federal Home Loan Mortgage Corporation, the United States Department of Housing and Urban Development Mortgagee Audit Standards, or the Uniform Single Audit Program for Mortgage Bankers, except for (1) such exceptions as such firm shall believe to be immaterial, and (2) such other exceptions as shall be set forth in such statement;

(v) on or before the 60th day following each anniversary of the date of this Agreement, (A) a statement, certified by an authorized officer of the Servicer/Administrator, stating that, to the best of such officer's knowledge, upon reasonable investigation, the Servicer/Administrator's servicing of the Mortgage Loans has been conducted in compliance with this Agreement except for such exceptions as such officer shall believe to be immaterial and such other exceptions as shall be set forth in such statement, and (B) a certificate of an authorized officer of the Servicer/Administrator stating that (1) a review of the activities of the Servicer/Administrator during the preceding year with respect to performance under this Agreement has been made under such officer's supervision, and (2) to the best of such officer's knowledge, based upon such review, there is, as of such date, no default by the Servicer/Administrator in the fulfillment of any of its obligations under this Agreement, or, if there is any such default known to such officer, specifying each such default and the nature and status thereof; and

(vi) such other reports relating to the Program as the Authorities or the Trustee may reasonably request. In addition, information will be available on the Servicer/Administrator web site.

### *Section 6.13. Reports to the Internal Revenue Service.*

(a) The Servicer/Administrator agrees to submit, on behalf of the Authorities, to the Internal Revenue Service Center, Ogden, Utah 84201 (or such other location as is specified by

the Internal Revenue Service) (with copies to the Authorities), not later than August 15 of each year following a fiscal year ending June 30 in which the original proceeds of the Bonds are used to purchase Certificates backed by Mortgage Loans (commencing August 15, 2005), the report entitled "Qualified Mortgage Bond Information Report" required by section 149(e) of the Code and Treasury Regulation sections 1.103A 2(k)(2)(ii) and 1.103A 2(k)(3) through (k)(6), in such form as may be permitted by the Internal Revenue Service. Unless another form is prescribed by the Internal Revenue Service, the Servicer/Administrator shall submit the report in the format set forth in Exhibit K.

(b) In the event that Treasury Regulation section 1.103A 2(k) or Temporary Treasury Regulation section 1.149(e) 1 is amended following the date hereof, such amendments shall be deemed to be incorporated into this Section 6.13, and the requirements of this Section 6.13 shall be deemed to be revised accordingly. The Servicer/Administrator may obtain and rely on the advice of certified public accountants or Bond Counsel in carrying out its duties under this Section 6.13.

(c) The Servicer/Administrator will collect from the Participants the name of each Mortgagor, address of the Residence financed with each Mortgage Loan and the social security number of each Mortgagor. The Servicer/Administrator, on behalf of the Authorities, will submit such information, and any other information that may be required, to the Internal Revenue Service in the form and at the times required by the Internal Revenue Service.

*Section 6.14. Servicer/Administrator's Insurance Policies.* The Servicer/Administrator hereby agrees to obtain and maintain at its own expense a blanket fidelity bond and an errors and omissions insurance policy, in full force and effect throughout the term of this Agreement, covering the Servicer/Administrator's officers and employees and other persons acting on behalf of the Servicer/Administrator in its capacity as the Servicer/Administrator hereunder. The amount of coverage shall be at least equal to the coverage required by GNMA or Fannie Mae. In the event that any such bond or policy shall cease to be in effect, the Servicer/Administrator shall exercise its best reasonable efforts to obtain from an issuer or insurer licensed in the State and acceptable to the Authorities a comparable replacement bond or policy, as the case may be. No provision of this Section 6.14 shall operate to diminish, restrict, or otherwise limit the Servicer/Administrator's responsibilities and obligations as set forth in this Agreement.

*Section 6.15. Servicer/Administrator's Servicing Release Premium and Compensation.*

(a) In consideration of being appointed as the Servicer/Administrator, the Servicer/Administrator agrees to pay to or as directed by the Authorities as a servicing release premium an amount equal to up to \$1,840,000, payable as follows: (i) \$450,000 on the Bond Closing Date for deposit by the Trustee as provided in the Indenture, (ii) 0.25% of the principal amount of each Mortgage Loan to the Participants upon Purchase of the Mortgage Loan, as part of the Mortgage Loan Purchase Price, and (iii) 1.14% of the principal amount of each Certificate upon purchase of the Certificate from the Servicer by the Trustee, by selling such Certificate at a price of 103.86%, to be disbursed by the Trustee in accordance with clauses (ii), (iii) and (iv) of the last paragraph of Section 5.02(a) of the Indenture.

The Servicer/Administrator understands that its agreement to pay the servicing release premium is a precondition to its appointment as Servicer/Administrator and that the portion of that premium paid on the Bond Closing Date and the portion of that premium paid to the Trustee upon purchase from the Servicer/Administrator by the Trustee of the Certificates will be relied upon by the Bondholders as security for performance by the Authorities of their obligations under the Bonds and the Indenture, will be pledged to secure obligations specified in the Indenture and constitutes a nonrefundable fee. In no event shall the Servicer/Administrator be entitled to receive any interest or earnings on the servicing release premium.

(b) As compensation for its servicing activities hereunder and in consideration for servicing the Mortgage Loans for which it is responsible, the Servicer/Administrator shall retain the Servicing Fee earned by it; provided, however, that the Servicer/Administrator shall pay from such Servicing Fee the GNMA Guaranty Fee and the Fannie Mae Guaranty Fee, as applicable. The Servicing Fee shall be considered to be earned for any particular month with respect to each Mortgage Loan for which the payment of all principal and interest due for such month has been received by the Servicer/Administrator.

(c) Additional servicing compensation in the form of assumption fees, as provided in Section 6.11, and late payment charges, if any, may be paid to or retained by the Servicer/Administrator to the extent provided for in the Mortgage Note and permitted by Law and to the extent not contrary to the terms of the Program Documents.

## ARTICLE VII

### DUTIES OF THE AUTHORITIES

*Section 7.01. Issuance of Bonds.* The Authorities hereby agree to use their best efforts to issue, sell, and deliver the Bonds upon the terms and conditions set forth in the Indenture, to cause the proceeds received from the sale of the Bonds to be applied as provided in the Program Documents and to use their best efforts to allow the Certificates to be issued and purchased as contemplated hereunder.

*Section 7.02. Issuance of Notices.* The Authorities hereby agree to issue or cause to be issued the Notice of Availability of Funds to each Participant and Commitment Lot Notices to the Servicer/Administrator and such other notices as may be necessary to fulfill the obligations of the Authorities hereunder or to effect the purposes of the Program and this Agreement.

*Section 7.03. Purchase of Certificates.* The Authorities hereby agree to cause the Trustee, with funds available for such purpose under the Indenture, to purchase all GNMA Certificates that are issued by the Servicer/Administrator or Fannie Mae Certificates that are issued by Fannie Mae pursuant to Section 4.06 or 4.07 in the manner set forth in the Indenture; *provided, however,* that no Certificates will be purchased after the expiration of the Certificate Purchase Period; *provided, further,* that neither the Authorities nor the Trustee shall be under any obligation to purchase Certificates if the Bonds are not delivered.

*Section 7.04. Review of Participant's and Servicer/Administrator's Performance.*

(a) The Authorities shall have the right to review the performance of a Participant, which review may include the reports and recommendations of the Servicer/Administrator and such other evidence as may be presented to the Authorities, to determine if the Participant is performing in accordance with the standards required by this Agreement. If the Authorities, in their sole discretion, determine that a Participant is not performing in accordance with such standards, the Authorities or the Servicer/Administrator shall notify such Participant of any such deficiency, and if such deficiency is sufficient to warrant termination of the Participant by the Authorities, then the Authorities or the Servicer/Administrator shall notify such Participant that the services of such Participant are being terminated and the date on which such termination shall be effective.

(b) The Authorities shall have the right to review the performance of the Servicer/Administrator, which review may include the reports or recommendations of the Trustee, if any, and such other evidence as may be presented to the Authorities, to determine if the Servicer/Administrator is performing in accordance with the standards required by this Agreement or if an event specified in Section 8.06(C) shall have occurred. If the Authorities determine that the Servicer/Administrator is not performing in accordance with such standards, or if an event specified in Section 8.06(C) shall have occurred, the Authorities shall notify the Servicer/Administrator thereof, and if sufficient to warrant the termination of the Servicer/Administrator, as administrator (and not as servicer) hereunder, pursuant to Section 8.06(C), then the Authorities shall notify the Servicer/Administrator that the services of the Servicer/Administrator as administrator (and not a servicer) hereunder are being terminated pursuant to Section 8.06(C), and the date on which such termination shall be effective. The Authorities may also take legal action against the Servicer/Administrator to recover damages occurring to the Authorities or to the holders of the Bonds as a result of a failure by the Servicer/Administrator to perform its obligations hereunder.

(c) The Authorities and its agents may from time to time request the Servicer/Administrator to allow the inspection of the Servicer/Administrator's books and records pertaining to the Program and the Servicer/Administrator shall allow such inspections and access to such books and records at reasonable times during the Servicer/Administrator's normal business hours and upon reasonable terms.

## **ARTICLE VIII**

### **TERMINATION AND LIABILITIES**

*Section 8.01. Participant Not to Resign.* No Participant shall have the right to resign from the obligation and duties hereby imposed on it. Except as permitted by Section 2.03(k), no Participant shall have the right or privilege to assign or transfer its rights and duties hereunder.

*Section 8.02. Involuntary Termination of Participant.* The Authorities, upon the recommendation of the Servicer/Administrator, may terminate this Agreement with respect to any Participant upon the happening of any one or more of the following events:

(a) Failure of the Participant to repurchase defective Mortgage Loans pursuant to Section 4.11;

(b) Any representation or warranty of the Participant to the Authorities, the Trustee, or the Servicer/Administrator shall be false in any material respect;

(c) Failure of the Participant to comply in all respects with its obligations under Section 4.11;

(d) Failure of the Participant to duly observe or perform in any material respect any other covenant, condition, or agreement herein to be observed or performed by the Participant other than as referred to in Sections 8.02(a), (b), or (c), for a period of 30 days after a written notice to such Participant from either the Authorities, the Trustee, or the Servicer/Administrator, specifying such failure and requesting that it be remedied; *provided, however*, that if the failure stated in the notice 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 Participant within the applicable period and diligently pursued until fully corrected; *provided further*, that if the failure cannot be corrected within such period, the Participant may be terminated pursuant to this Section 8.02;

(e) Issuance or entry of a 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 Participant 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 60 days;

(f) Consent by the Participant 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 Participant or substantially all of its properties; or

(g) Admission in writing by the Participant of its inability to pay debts generally as they mature, or the filing of a petition to take advantage of any applicable bankruptcy or insolvency statute or Debtor Relief Laws, or the making of an assignment for the benefit of creditors.

If any of the events specified in (e), (f), or (g) shall occur, the Participant shall give written notice of such occurrence to the Authorities, the Trustee, and the Servicer/Administrator within ten days of the happening of such event.

*Section 8.03. Participant's Excused Nonperformance.* Notwithstanding anything in the Agreement to the contrary, there shall be no termination of, and no liability under, this Agreement with respect to any Participant for its failure to duly observe or perform in any material respect any covenant, condition, or agreement to be observed or performed by a Participant, if such failure on the part of such Participant is directly caused by the failure of the Servicer/Administrator, the Trustee, or the Authorities to duly observe or perform in any material respect any covenant, condition, or agreement to be observed or performed by the Servicer/Administrator, the Trustee, or the Authorities.

*Section 8.04. Access to Participant's Records.* The Servicer/Administrator and its respective agents may from time to time request a Participant to allow the inspection of any of the Participant's books and records pertaining to the Program and the Participant shall allow such inspections and access to such books and records at reasonable times during the Participant's normal business hours and upon reasonable terms.

*Section 8.05. Servicer/Administrator Not to Resign.* The Servicer/Administrator shall have no right to resign from the obligations and duties hereby imposed on it as servicer, and may only resign its administrative duties upon failure of the Trustee or the Authorities to make payment of any money due to the Servicer/Administrator hereunder, or such other breach of this Agreement by the Trustee or the Authorities that adversely affects the Servicer/Administrator, which failure or breach shall continue for a period in excess of 30 days after receipt of written notice by the Authorities and the Trustee. Except as permitted by Section 2.02(g), the Servicer/Administrator shall have no right or privilege to assign or transfer its rights and duties hereunder without the prior written consent of the Authorities and the Trustee.

*Section 8.06. Involuntary Termination of Servicer/Administrator.*

A. *Termination as Servicer/Administrator.* The Authorities may not terminate the Servicer/Administrator as servicer of the Mortgage Loans under the Certificates. If GNMA, pursuant to the GNMA Guide, terminates the Servicer/Administrator as servicer, then the Mortgage Loans under the GNMA Certificates will be serviced by a successor servicer appointed by GNMA. If Fannie Mae, pursuant to the Fannie Mae Guides, terminates the Servicer/Administrator as servicer, then the Conventional Mortgage Loans will be serviced by a successor servicer as appointed by Fannie Mae. In such case, the Authorities shall use their best efforts to have such successor servicer execute and be bound by this Agreement.

B. *Termination as GNMA Certificate Issuer.* If, during the Origination Period, the Servicer/Administrator is notified by GNMA that it no longer qualifies as an issuer of GNMA Certificates, then the Authorities shall exercise their best reasonable efforts to appoint a successor issuer who is approved to issue GNMA Certificates and acceptable to the Rating Agency (as defined in the Indenture), and such successor shall execute and be bound by this Agreement. Such successor shall service all Mortgage Loans pooled in GNMA Certificates for which it is the issuer.

C. *Termination as Administrator.* The Authorities may terminate this Agreement with respect to the Servicer/Administrator as to administrative services and activities hereunder and as to servicing of Mortgage Loans not theretofore pooled into Certificates upon purchase of such Mortgage Loans by a successor servicer and upon the occurrence of any one or more of the following events:

(a) Failure of the Servicer/Administrator to remit to the CPTA for deposit in accordance with the GNMA Guide or remit to Fannie Mae for deposit in accordance with the Fannie Mae Guides, any amounts received by the Servicer/Administrator in connection with the Mortgage Loans that are required to be so remitted;



(b) Any representation or warranty of the Servicer/Administrator to the Authorities, the Trustee, or any Participant shall be false in any material respect;

(c) Failure of the Servicer/Administrator to duly observe or perform in any material respect any other covenant, condition, or agreement herein to be observed or performed by the Servicer/Administrator, other than as referred to in Sections 8.06(C)(a) or (b), for a period of 30 days after written notice to the Servicer/Administrator from either the Authorities or the Trustee, specifying such failure and requesting that it be remedied; *provided, however*, if the failure stated in the notice 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 Servicer/Administrator within the applicable period and diligently pursued until fully corrected;

(d) Issuance or entry of a 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 Servicer/Administrator or substantially all of its properties, if such decree or order shall have remained in force undischarged or unstayed for a period of 60 days;

(e) Consent by the Servicer/Administrator 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 Servicer/Administrator or substantially all of its properties;

(f) Admission in writing by the Servicer/Administrator of its inability to pay debts generally as they mature, or the filing of a petition to take advantage of any applicable bankruptcy or insolvency statute or Debtor Relief Laws, or the making of an assignment for the benefit of creditors;

(g) Removal of the Servicer/Administrator by GNMA or Fannie Mae or its agents as servicer of the Mortgage Loans; or

(h) Notification to the Servicer/Administrator by GNMA during the Origination Period that it no longer qualifies as an issuer of GNMA Certificates or by Fannie Mae during the Origination Period that it no longer qualifies as a seller of Fannie Mae Certificates.

If any of the events specified in (d), (e), (f), (g), or (h) above shall occur, the Servicer/Administrator shall give written notice of such occurrence to the Authorities and the Trustee within two days of the happening of such event. Upon termination of the Servicer/Administrator as administrator, a new administrator shall be appointed pursuant to the provisions of Section 8.12.

*Section 8.07. Transfer of Terminated Servicer/Administrator's Duties.* Upon termination of this Agreement with respect to the Servicer/Administrator as administrator pursuant to Section 8.06(C), the Servicer/Administrator shall, within 30 days, deliver, or cause to

be delivered to the Authorities or its designee, all files, other than proprietary computer software, of the Servicer/Administrator relating to the Mortgage Loans and this Program.

*Section 8.08. Servicer/Administrator's Excused Nonperformance.* Notwithstanding anything in this Agreement to the contrary, there shall be no termination of, and no liability under, this Agreement with respect to the Servicer/Administrator for its failure to duly observe or perform in any material respect any covenant, condition, or agreement to be observed or performed by the Servicer/Administrator, but not including the Servicer/Administrator's obligations to review the originating performance of all Participants, if such failure on the part of the Servicer/Administrator is directly caused by the failure of the Authorities, the Trustee, or any Participant to duly observe or perform in any material respect any covenant, condition, or agreement to be observed or performed by the Authorities, the Trustee, or any Participant.

*Section 8.09. Agreement to Pay Attorneys' Fees.* If it is determined in a judicial proceeding that a Participant or the Servicer/Administrator has failed to perform under any provision of this Agreement, or if a new administrator is appointed pursuant to Section 8.12, and if the Authorities or the Trustee shall employ attorneys or incur other expenses for the enforcement, performance, or observance of the terms of the Agreement on the part of such Participant or the Servicer/Administrator, then the Authorities or the Trustee, as the case may be, to the extent permitted by Law, shall be reimbursed by such Participant or the Servicer/Administrator, as the case may be, on demand, for reasonable attorneys' fees and other out-of-pocket expenses.

*Section 8.10. No Liability for Removal of Participant or Servicer/Administrator.* Notwithstanding any provision in this Agreement to the contrary, none of the Authorities, the Trustee, the Servicer/Administrator, or any other Participant shall be liable in any respect for the termination of a Participant for cause, or owe any duty to any such Participant if terminated for cause. None of the Authorities, the Trustee, or any Participant shall be liable in any respect for the termination of the Servicer/Administrator for cause, or owe any duty to the Servicer/Administrator if terminated for cause.

*Section 8.11. No Remedy Exclusive.* No remedy herein conferred upon or reserved to any party is intended to be exclusive of any other available remedy, but each remedy shall be cumulative and shall be in addition to other remedies given under this Agreement or existing at law or in equity. No delay or omission to exercise any right or power accruing under this Agreement shall impair any such right or power, or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

*Section 8.12. Remedies.*

(a) In the event of termination of the Servicer/Administrator, as administrator (and not as servicer) hereunder, pursuant to Section 8.06(C), the Authorities shall, by registered or certified mail, give notice to each Participant of such termination and, when accomplished, of the appointment of a successor administrator. Until a successor administrator is appointed by the Authorities and assumes the obligations and duties of administrator hereunder, the Servicer/Administrator shall continue to act in the capacity of administrator, subject to its right to

resign pursuant to Section 8.05; *provided, however,* that any termination of the Servicer/Administrator with respect to its servicing of the Mortgage Loans shall only be effected in accordance with the GNMA Guide and Fannie Mae Guides.

(b) The Authorities may, or the Trustee, as a third party beneficiary of this Agreement, may (but shall not have the duty to), take whatever other action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under this Agreement or to enforce performance and observance of any obligation, agreement or covenant of the Servicer/Administrator under this Agreement.

## ARTICLE IX

### MISCELLANEOUS PROVISIONS

*Section 9.01. Amendments, Changes, and Modifications.* This Agreement may not be amended, changed, modified, or altered except with the written consent of the Authorities (which consent shall be given only as provided in the Indenture) by an instrument in writing that specifically refers to this Agreement and that is executed by all parties adversely affected by such amendment change, modification, or alteration.

*Section 9.02. Limitation on Rights of Bondholders.* No Bondholder shall have any right to institute a suit with respect to this Agreement except as provided in this Agreement and the Indenture and for the equal benefit of all Bondholders.

*Section 9.03. 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 9.04. Notices.* All notices, certificates, or other communications hereunder shall be deemed given when delivered or five Business Days after mailing by certified or registered mail, postage prepaid, return receipt requested, addressed to the appropriate Notice Address. The Phoenix Authority, the Maricopa Authority, the Trustee, the Servicer/Administrator or any Participant may, by notice given hereunder, designate any further or different address to which subsequent notices, certificates, and other communications shall be sent.

*Section 9.05. 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 or render unenforceable any other provision hereof. Such invalid or unenforceable provision shall be amended, if possible, in accordance with Section 9.01 in order to accomplish the purposes of this Agreement.

*Section 9.06. Further Assurances and Corrective Instruments.* To the extent permitted by Law, each of the Phoenix Authority, the Maricopa Authority, the Servicer/Administrator, and each Participant agrees that it 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 9.07. Term of Agreement.* This Agreement shall continue in full force and effect so long as the Authorities, or the Trustee on behalf of the Authorities, shall own any Certificates.

*Section 9.08. No Rights Conferred on Others.* Nothing in this Agreement shall confer any right upon any person other than the Authorities, the Trustee, the Servicer/Administrator and the Participants; *provided, however,* that Bondholders may, to the extent permitted in, and in accordance with the terms of, the Indenture, enforce any of the rights of the Trustee hereunder.

*Section 9.09. Limitation on Liability of Parties.* Each party to this Agreement shall be liable under this Agreement only to the extent that obligations are explicitly imposed upon and undertaken by the party against whom enforcement is sought. The Servicer/Administrator shall not be held liable for any expenses incurred by any party hereto due to the approval or recommendation of any action or expenditure, payment for which is due from the Trustee or from funds over which the Servicer/Administrator has no control. The Trustee, the Servicer/Administrator, and the Authorities shall not be liable to any other party or to any holder of any Bond for the taking of any action, or for refraining to take any action, in good faith pursuant to this Agreement, or for errors in judgment. In addition, in the event any party to this Agreement is entitled to indemnification hereunder, the officers, directors, employees, and agents of such party shall also be entitled to indemnification hereunder to the same extent and under the same circumstances as such party.

*Section 9.10. Limitation on Liability of Directors, Officers, Employees, and Agents of a Party.* No director, officer, employee, agent or governmental official of any party to this Agreement shall be individually liable to any other party or to the Bondholders for the taking of any action, or for refraining to take any action, pursuant to this Agreement, or for errors in judgment.

*Section 9.11. Survival of Obligations and Covenants.* Notwithstanding anything to the contrary herein, the expiration of this Agreement or the termination or resignation of any Participant under this Agreement shall not affect any obligations of such Participant under this Agreement, including, without limitation, obligations under Section 4.11. The representations, warranties, and covenants of Participant under Sections 2.03 and 2.04 shall continue without regard to any termination of Participant hereunder. Any indemnities in this Agreement shall survive the termination or expiration of this Agreement or the termination or resignation of a Participant hereunder.

*Section 9.12. Counterparts.* This Agreement may be executed in any number of counterparts, each of which shall be an original; *provided, however,* that all such counterparts shall together constitute one and the same instrument.

*Section 9.13. 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 9.14. Reports and Payments Due on Weekends and Holidays.* Any report, certificate, or payment required hereunder falling due on a Saturday, Sunday, or other day on which banking institutions in the State are authorized or obligated by Law or executive order to

close shall be due on the next succeeding day which is not a Saturday, Sunday, or a day on which banking institutions are authorized or obligated by Law to close.

*Section 9.15. Trustee's Obligations.* The Trustee and its officers, directors, employees and agents are each a third party beneficiary to this Agreement. The Authorities, in the Indenture, have assigned all of their right, title, and interest in (but not its duties) under this Agreement with respect to the Bonds and the Mortgage Loans and Certificates pledged to secure such Bonds all as provided in the Indenture. As such third party beneficiary, the Trustee has no duties and obligations with respect to this Agreement, except to perform its obligations as may be expressly provided in the Indenture and as provided in Section 8.12 herein to exercise the rights assigned to it by the Authorities under GRANTING CLAUSE FIRST of the Indenture.

*Section 9.16. Reliance on Authorities of Facts or Certificates.* Anything in this Agreement to the contrary notwithstanding, it is expressly understood and agreed by the parties hereto that the Authorities may rely conclusively on the truth and accuracy of any certification, opinion, notice or other instrument furnished to the Authorities by the Trustee or the Servicer/Administrator as to the existence of any fact or state of affairs required hereunder to be noticed by the Authorities.

*Section 9.17. Immunity of Authorities' Directors, Officers, Counsel, Advisors and Agents.* No recourse shall be had for the enforcement of any obligation, covenant, promise or agreement of either of the Authorities contained in this Agreement, any other Authority Documents or in any Bond or for any claim based hereon or otherwise in respect hereof or upon any obligation, covenant, promise or agreement of either of the Authorities contained in any agreement, instrument or certification executed in connection with the issuance and sale of the Bonds, against any of the Authority Indemnified Parties, whether by virtue of any Constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that no personal liability whatsoever shall attach to, or be incurred by, any of the Authority Indemnified Parties, either directly or by reason of any of the obligations, covenants, promises or agreements entered into by the Authorities with the Trustee, or to be implied therefrom as being supplemental hereto or thereto, and that all personal liability of that character against each and every Authority Indemnified Party is, by the execution of the Bonds, this Agreement and the other Authority Documents, and as a condition of, and as part of the consideration for, the execution of the Bonds, this Agreement and the other Authority Documents, is expressly waived and released.

*Section 9.18. Notice of A.R.S. Section 38-511.* 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 Agreement under the law of the State.

*(Signatures to Follow)*

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

U.S. BANK N.A., as Servicer/Administrator

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

THE INDUSTRIAL DEVELOPMENT  
AUTHORITY OF THE CITY OF PHOENIX,  
ARIZONA

By: \_\_\_\_\_  
Authorized Officer

THE INDUSTRIAL DEVELOPMENT  
AUTHORITY OF THE COUNTY OF  
MARICOPA

By: \_\_\_\_\_  
Authorized Officer

PARTICIPANT:

\_\_\_\_\_

By \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**

**PARTICIPANTS AS OF BOND CLOSING DATE**

1. Chase Manhattan Mortgage Corporation
2. Concord Mortgage Company
3. Countrywide Home Loans, Inc.
4. DHI Mortgage
5. First Horizon Home Loan Corporation
6. Irwin Mortgage Corporation
7. Marina Mortgage (American Home Mortgage Corp.)
8. National Bank of Arizona
9. Pacific Republic Mortgage Corporation
10. Peoples Mortgage Company (Moria Development Inc.)
11. RBC Mortgage Company
12. Suburban Mortgage, Inc.
13. Universal American Mortgage Company, LLC



**EXHIBIT B**

**THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA  
AND THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF MARICOPA  
SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAM OF 2004  
AFFIDAVIT OF COSIGNOR OR GUARANTOR**

*There are important legal consequences to this Affidavit. Read carefully before signing.*

**STATE OF ARIZONA  
COUNTY OF MARICOPA**

**SERVICER LOAN#** \_\_\_\_\_

I/we the undersigned, as an obligor on a note (the “*Note*”) made in connection with a mortgage loan (the “*Mortgage Loan*”) being submitted by the Mortgagor(s):

MORTGAGOR LAST NAME	FIRST	MIDDLE
---------------------	-------	--------

COMORTGAGOR LAST NAME	FIRST	MIDDLE
-----------------------	-------	--------

in the amount of \$ \_\_\_\_\_

from \_\_\_\_\_ (the “*Mortgage Lender*”)

under City of Phoenix/Maricopa County Single Family Mortgage Revenue Bond Program of 2004 (the “*Program*”), hereby certify that I/we are executing the note solely for purposes of providing additional security for the Mortgage Loan.

I/we further certify that I/we have no other financial or ownership interest in the property subject to the Mortgage Loan and that I/we have no intention to and will not occupy the property subject to the Mortgage Loan as a permanent/primary residence.

The statement set forth herein is made under penalty of perjury. I understand that perjury is a felony punishable by fine, imprisonment or both.

_____	_____
Dated	Signature of Cosignor/Guarantor

_____	_____
Dated	Signature of Cosignor/Guarantor

Sworn to and subscribed before me on the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

PERSONALIZED  
SEAL

Notary Public Signature

**COSIGNOR/GUARANTOR AFFIDAVIT, PAGE 1 OF 1, ORIGINAL WITH COMPLIANCE FILE**

**COPIES: ONE TO (1) COSIGNOR AND (2) PARTICIPANT**

**EXHIBIT C**

[RESERVED]

**EXHIBIT D**

[RESERVED]

## EXHIBIT E-1

Servicer Loan # \_\_\_\_\_

### IDA OF THE CITY OF PHOENIX AND IDA OF THE COUNTY OF MARICOPA (the "Issuer") NOTICES TO BUYERS

#### NOTICE OF POTENTIAL RECAPTURE

This mortgage loan is funded from the proceeds of a tax-exempt mortgage revenue bond of the Issuer, therefore, the Mortgagor(s) is(are) receiving the benefit of a lower interest rate than is customarily charged on other mortgage loans. If the Mortgagor(s) sell or otherwise dispose of the residence during the next 9 years, this benefit may be "recaptured". Such recapture is accomplished by an increase in the Mortgagor(s) federal income tax for the year in which the residence is sold or disposed. This recapture only applies if there is a gain resulting from the sale or disposition of the residence and the total annual household income increases above specified levels. You may wish to consult a tax advisor or the Internal Revenue Service at the time of sale or disposition of the residence to determine the amount, if any, of the recapture tax. Following loan closing, you will be provided additional information that will be needed to calculate the maximum recapture tax liability at the time you sell or dispose of the residence.

#### NOTICE TO BUYERS

Your home is being financed with a mortgage made available with the assistance of the Issuer. This mortgage is made at an interest rate below what is usually being charged. Because of this, your mortgage provides that you cannot rent your home without the Servicer's prior written consent (which consent can only be given in very limited, extreme circumstances) or sell your home to a person ineligible for assistance from the Issuer, unless you pay your loan in full.

In order for the loan to be assumed, you must sell your home to a person eligible for assistance from the Issuer, otherwise, you must pay your loan in full or the Issuer may demand immediate full repayment of the loan. This could result in foreclosure of your mortgage and repossession of the property. In addition, if you rent the property or committed fraud or intentionally misrepresented yourself when you applied for the loan, the Lender may foreclose your mortgage and repossess the property. If the Lender takes your home through a foreclosure of the mortgage because of these reasons, HUD, FHA, VA, the Servicer and/or the Issuer (as applicable) will not be able to help you.

In order for the mortgage to be assumed, you must sell your home at or below the federally-designated maximum sales price in effect when you sell your home. (Federal law allows you to purchase a newly constructed home at the program newly constructed home maximum acquisition price but requires you to sell the property at the existing home maximum acquisition price in effect at the time of sale. There may be significant differences between the two.)

If the money received from the foreclosure sale is not enough to pay the remaining amount of money you owe on the loan, the Servicer may obtain a deficiency judgment against you (a court ruling that you must pay whatever money is still owed on the loan after the foreclosure sale). Such judgment will be taken over by HUD, VA, or a private mortgage insurer (as applicable). If the Servicer files an insurance claim against HUD, VA, or the private mortgage insurer (as applicable) because of the foreclosure, HUD, VA, or the private mortgage insurer (as applicable) may then bring an action against you to collect the judgment.

#### DISCLOSURE OF MORTGAGOR INFORMATION

The Mortgagor(s) hereby consent and agree that all information furnished by the Mortgagor(s) to the participating Lender, the Servicer/Administrator and the Issuer, including but not limited to, non public personal and financial information (the "Information"), in connection with the application for mortgage loan(s) under this program, may be disclosed to any person or other third parties in connection with the processing of the Mortgagor(s) loan application, verification of information concerning the loan or the Mortgagor(s), and for any other purpose in furtherance of or connected with the Issuer's program. Mortgagor(s) hereby irrevocably waive any rights to a privacy notice, confidentiality, or to any "opt out" procedures of the participating Lender,

**NOTICES TO BUYERS, PAGE 1 OF 2 - COMPLETED AT APPLICATION; ORIGINAL IN COMPLIANCE FILE; COPIES: ONE TO MORTGAGOR AND ONE TO LENDER; ATTACH RECAPTURE BROCHURE TO MORTGAGOR'S COPY**

**Servicer Loan # \_\_\_\_\_**

the Servicer, the Administrator or the Issuer, under all applicable privacy laws, including but not limited to the Gramm-Leach-Bliley Act of 1999 (the "GLB Act") and related rules (12 CFR 40.1 et seq.), as amended from time to time. Mortgagor(s) understand and acknowledge that the participating Lender, the Servicer, the Administrator, the Issuer, and the third parties to whom said Information may be disclosed may not be under any obligation to keep the Information secure or confidential. Mortgagor(s) hereby agree to hold the participating Lender, the Servicer, the Administrator, the Issuer, and their respective agents, employees, and attorneys, harmless from any liability or responsibility of any kind whatsoever in connection with the receipt and use of the Mortgagor(s) Information, including, but not limited to, the submission of Mortgagor(s) Information to third parties.

**BORROWER AUTHORIZATION FOR COUNSELING**

The Mortgagor(s) consent and agree that if they fail to make any monthly mortgage payment as agreed that the Servicer may refer them to a third-party counseling organization or a mortgage insurer that will provide advice about finding ways to meet the mortgage obligation. The Mortgagor(s) authorize the Servicer to release certain information related to the Servicer's own experience with them to such third-party counseling organization or mortgage insurer, and request that the counseling party contact them.

The Mortgagor(s) hereby authorize the third-party counseling organization or mortgage insurer to make a recommendation about appropriate action to take with regard to their mortgage loan, which may assist the Servicer in determining whether to restructure the loan or to offer other extraordinary services that could preserve their long-term home ownership

Date \_\_\_\_\_

\_\_\_\_\_  
SIGNATURE OF MORTGAGOR

\_\_\_\_\_  
SIGNATURE OF MORTGAGOR

**NOTICES TO BUYERS PAGE 2 OF 2; COMPLETED AT APPLICATION; ORIGINAL IN COMPLIANCE FILE; COPIES: ONE TO MORTGAGOR AND ONE TO LENDER; ATTACH RECAPTURE BROCHURE TO MORTGAGOR'S COPY**

## EXHIBIT E-2

### ABOUT RECAPTURE TAX

When you receive a first-time homebuyer loan, you are receiving the benefit of a lower mortgage interest rate and/or down payment / closing cost assistance that is not customarily available on other mortgage loans. The tax-exempt mortgage revenue bond program used to fund your mortgage loan is governed by federal law. The law mandates a "recapture" of some of the benefit of the program if buyers meet all three of the following criteria -- the property ceases to be the principal residence in the first full nine years of ownership; there is a profit on the sale of the home **AND** the household income increases significantly (generally more than 5% per year).

If "Recapture Tax" is owed, it's computed and paid to the IRS for the tax year in which the home is sold. For the average buyer in these programs, it's very unlikely that they'll be required to pay because their income is lower than that allowed. But if Recapture tax must be repaid it will **never exceed the lesser** of 6.25% of the original loan amount or one-half of the gain on the sale of the home.

The most that you will ever be required to pay when you sell your home in the first nine years is 6.25% of the highest principal amount of the mortgage loan during the life of the loan. (i.e. If the highest loan amount during the course of the loan was \$50,000 and you sold in the 49-60 months of ownership, then multiply \$50,000 x .0625 and the highest you would pay would be \$3,125.) This amount is considered to be the federally subsidized amount. **When** you sell your home is as important as the amount you receive for the sale of your home and your income at the time you sell.

The actual recapture tax, if any, can only be determined when you sell your home.

#### Remember

- if you sell your home after nine years, there is no Recapture Tax due;
- if you don't receive a gain (net profit) on the sale of your home, there is no Recapture Tax due, **or**
- if your adjusted gross income does not increase significantly over the nine years, (usually that means more than 5% per year), there is no Recapture Tax due.

To owe any Recapture Tax, you must sell your home within nine years, make a net profit on the sale of your home **AND** have a significant increase in income. All three criteria must be met in order for Recapture Tax to be due.

#### You May Not Have to Pay Recapture Tax if

- your home is destroyed by fire, storm, flood or other casualty, there is generally no recapture tax if within two years you build or rehab for use as your principal residence on the site of the home financed with your original subsidized mortgage loan.

#### You Are Not Subject to The Recapture Tax if

- you sell or give away or dispose of your home later than 9 full years after you close your mortgage loan.
- your home is disposed of as a result of your death.
- you transfer your home to your spouse or your former spouse as an agreement of your divorce and you have no gain or loss included in your income as a result of the transfer.

#### INFORMATION YOU'LL NEED IN THE FUTURE

**After you close your loan, you will receive a detailed letter from the Program Administrator that will be provided by your lender at closing. This letter should be kept with your other mortgage documents. It contains extremely important information that you will need to determine if you must pay recapture tax.**

The letter contains information that you'll need in order to complete Form 8828 such as

- The loan amount (the highest principal amount of the loan)
- Closing Date,
- Name of the Issuer of the Bonds,
- Name of the original lender that made the loan, and
- Chart that details data necessary to complete Form 8828.

#### What about refinancing my home?

If you refinance your home and stay in it for a full nine years, you won't pay Recapture Tax. Recapture kicks in when the property ceases to be your principal residence before the full nine years, then you may owe Recapture Tax. If you refinance in the first full four years and the property ceases to be your principal residence before the full nine years, there is a special calculation worksheet that must be used if you must pay Recapture Tax. See "For More Information" on the next page and instructions for Form 8828 for more detail.

1995-2004. Copyright Denihan and Associates. All Rights Reserved.

### What does “net profit” on the sale of your home mean?

Consult your tax advisor but generally you will be considering the amount you received for the sale of your home and deducting the expenses of selling your home (i.e. commission paid to a real estate agent, advertising, legal fees, etc.). This is the “Amount Realized” from the sale of the home. From the “Amount Realized” you will subtract your “Adjusted Basis” of your interest in the home. The “Adjusted Basis” will be increased by any sales commission you paid when you bought the home and decreased by depreciation. Your tax advisor will be helpful in determining the exact amount. If the total of the “Amount Realized” minus the “Adjusted Basis” is “0” or lower, you did not realize a gain (make a profit) when you sold the home and you **DO NOT** owe recapture tax. You will still need to complete a form 8828 and send it to the IRS with your federal income tax return in the year you sell or dispose of the home..

### What about my income?

If you did make a profit, then you may have to pay recapture. Now you must consider your income. There will be a chart on the letter you receive after closing that shows the maximum income allowable for each 12 month period following closing. The limits are the **program limits for the first 12 months** and then 5% more than the preceding year for each year thereafter. Example: If your income at the time you bought the home was \$40,000 and the income limit is \$50,000, the limit for the first 12 months after closing is \$50,000. Then each 12 months it's 5% more than the previous year. If your modified adjusted gross income on your federal income tax return does not exceed the income limit for the 12-month period in which you sell your home, you **DO NOT** owe recapture tax. If your modified adjusted gross income does exceed the income limit, you **DO** owe recapture tax.

### How much do I owe?

The amount you owe will be the LESSER of 50% of the gain realized from the sale of your home OR the amount resulting from a calculation that uses–

- The income percentage (Consider the amount by which your income exceeds the limit in the year that you sell. If the amount is \$5,000 or more , then your income percentage is 100%. If less than \$5,000 then divide the amount by which your income exceeds the limit by \$5,000 and round to the nearest whole percentage.)
- The maximum recapture tax or federally subsidized amount (this is .0625 x the highest principal amount of your loan).
- The holding period percentage as shown on the chart below:

Disposition Within # Months of Closing	Holding Period Percentage	Income 1-2 person HH	Income 3 + person HH
1 - 12	20%	\$Amt shown for 1-12 months will be	the program limits.
13 - 24	40%	Balance will be	completed on
25 - 36	60%	personalized	form you receive
37 - 48	80%	at closing.	The limits for each
49 - 60	100%	successive 12 mos.	is approx. 5%
61 - 72	80%	higher than the	preceding 12 mos.
73 - 84	60%		
85 - 96	40%		
97 - 108	20%		
109 or More	No Recapture Tax		

### FOR MORE INFORMATION

Contact the IRS and request Form 8828 and the instructions for Form 8828 (both available on the **IRS Website: <http://www.irs.gov>** In the Forms and Publications search box, type “8828” and click). Review the form and instructions now. Consult your tax advisor. In the year that you sell your home, you are required to complete Form 8828 and submit it with your federal income tax return (even after the full 9 years). The income that will be considered in that year will be your modified adjusted gross income from your federal income tax return.

EXHIBIT F

IDA OF THE CITY OF PHOENIX AND IDA OF THE COUNTY OF MARICOPA
SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAM - AFFIDAVITS/CERTIFICATIONS

There are important legal consequences to this Affidavit. Read carefully before signing.

MORTGAGOR AFFIDAVIT

STATE OF ARIZONA

COUNTY OF \_\_\_\_\_

SERVICER LOAN # \_\_\_\_\_

The undersigned, as part of my(our) application for a Single Family Mortgage Revenue Bond Loan from a participating lender of my (our) choice for a single-family residence that will become my(our) permanent, primary residence, being first duly sworn state the following information to be true and correct:

MORTGAGOR LAST NAME FIRST MIDDLE SOCIAL SECURITY #

COMORTGAGOR LAST NAME FIRST MIDDLE SOCIAL SECURITY #

ADDRESS BEING PURCHASED

ARIZONA

CITY County ZIP CODE

CHECK AS APPLICABLE New Construction Existing Non-Targeted Targeted

Copies of Federal Income Tax Returns filed with the IRS for the past three (3) years for all resident adults are submitted herewith or the reasons for exemption from filing are stated as follows:

Total Persons in Household Number of Income Recipients Number of Minors

Household Income includes the anticipated gross income from all sources of all persons in the household 18 years of age or over.

Table with 4 columns: Income Source, Mortgagor, CoMortgagor/Spouse, Other Occupants. Rows include Annual Wages, Self-Employment, Dividends, Child Support, and Other Income.

Grand Total Annual Household Income (Add All Amounts Above)

TOTAL ACQUISITION COST of the property includes all amounts paid previously or in the future, in cash or in kind by the Mortgagor(s) or any other person(s) to or for the benefit of the seller(s); points paid by the seller(s) excluding "usual and reasonable settlement and financing costs," additional amounts paid for fixtures under state law (i.e, light fixtures, window treatments, floor carpeting; capitalized value using discount rate established by the Issuer of ground rent, (leasehold estate); additional amounts to be paid if dwelling is incomplete or unfinished for which a written estimate of completion cost is attached; additional amounts for land purchased separately and not owned by the mortgagor(s) for at least two (2) years prior to the

AFFIDAVIT, PAGE 1 OF 3, ORIGINAL WITH COMPLIANCE FILE, COPIES: ONE TO MORTGAGOR, SELLER, LENDER



SERVICER LOAN # \_\_\_\_\_

commencement of construction of the residence; and other amounts including any agreements, whether oral or written, property taxes in excess of the mortgagor(s) pro-rata share and settlement and financing costs in excess of the usual and reasonable costs, hook-up, tap-in, site improvements, architectural and builder fees, permits, subcontracted items, construction loan interest and commissions. Apart from any normal real estate agents' commissions, no money is being paid, no promissory note is being delivered, nor is anything else of value (including, without limitation, personal property) being exchanged for or transferred to the seller of the residence or any other persons by me, or to my knowledge, by any other person in connection with the purchase of the property except as indicated in the escrow and settlement documents. I have not entered into any agreement with the seller of the residence, the developer, the contractor or any other person pursuant to which any portion of the residence has been left unfinished or any fixtures or other necessary architectural appointments have been omitted or removed from the residence in order to reduce the acquisition cost. I am not buying any unattached items of personal property from the seller in connection with the residence except as itemized with the amount of their purchase price that does not exceed their fair market value and attached hereto and incorporated into this Affidavit.

The TOTAL ACQUISITION COST \$ \_\_\_\_\_

**AND THAT (a)** the residence will be occupied as my (our) principal residence within a reasonable time not to exceed 60 days of loan closing, will not be used as investment property, vacation, or recreational home, or in conjunction with business activities (as evidenced by the use of more than fifteen percent (15%) of the total floor space in a trade or business except for the rental of one to three of the units respectively in a two-to-four family residence; and I(we) will immediately notify the Servicer in writing if the residence ceases to be my(our) principal, permanent residence; **(b)** this is not a refinancing of an existing, previously occupied residence for which this mortgage loan is being requested and will not replace my(our) existing mortgage or land contract or a newly constructed residence has not and will not be occupied prior to loan commitment and the proceeds of the mortgage loan will not be used to replace my(our) existing mortgage, unless such loan is a construction, bridge or temporary initial financing of 24 months or less; **(c)** for homes in non-targeted areas, all mortgagors and spouses have submitted the most recent 3 years federal income tax returns or reasons exempted by law to do so, and individually or together have not had an ownership interest in a principal residence within 3 years of loan closing (*principal residence includes single family detached, condominium, shares in housing cooperative, occupancy in an owned multi-family housing unit, factory made housing affixed to real property; ownership includes full or partial ownership interest, fee simple, joint ownership interest by joint tenancy, tenancy in common or tenancy in entirety, in interest of a tenant-stockholder in a cooperative, a land contract under which possession and the burdens and benefits of ownership are transferred, even if legal title is until some later date, ownership interest in trust or life estate interest*); **(d)** no portion of the financing of the residence will receive a Mortgage Credit Certificate; **(e)** I(we) do not have an application in process nor have I(we) received a commitment for a mortgage loan under any other single family mortgage revenue bond program; **(f)** no person related to me(us) has or is expected to have an interest as a creditor in the mortgage loan; **(g)** I(we) must meet all federally and locally mandated requirements to qualify for the mortgage loan; **(h) this Affidavit will be relied upon for the purposes of determining my(our) eligibility and if any information contained in this certification contains a material misstatement which is due to fraud or intentionally made, I(we) are subject to criminal penalty.**

Further, I/We state not

\_\_\_\_\_  
SIGNATURE OF MORTGAGOR

\_\_\_\_\_  
SIGNATURE OF MORTGAGOR

Sworn to and subscribed before me on the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

PERSONALIZED  
SEAL

\_\_\_\_\_  
Notary Public Signature

**AFFIDAVIT, PAGE 2 OF 3, ORIGINAL WITH COMPLIANCE FILE, COPIES: ONE TO MORTGAGOR, SELLER, LENDER**

**SELLER/BUILDER AFFIDAVIT**

I/We the undersigned, as an essential participant in an application for a single family mortgage revenue bond program loan being submitted by the above named Mortgagors in connection with the Mortgagor's(s) purchase from the undersigned of a single family residence (the "Residence"), being first duly sworn hereby state the following:

I(We) certify that I(we) are the Seller (or Builder) of the Residence and that the Residence is a single family residence located at the above address.

I(We) certify that (1) the total amount to be paid to me(us), or to anyone related to me(us), or acting on my(our) behalf (such as a real estate agent) in connection with the purchase of the residence is correctly shown above as total acquisition cost. This amount includes all amounts considered above under the paragraph entitled Total Acquisition Cost.

I(We) have not entered into any other contract or agreement with the Mortgagor(s), either expressed or implied, to perform additional construction on the residence or to transfer any additional property at additional cost other than personal property contained in the residence which are listed by item and amount and attached hereto and incorporated into this Affidavit.

I(We) acknowledge and understand that this Affidavit will be relied upon for purposes of determining the Mortgagor(s) eligibility.

\_\_\_\_\_  
Dated \_\_\_\_\_ Signature of Seller or Signature of Builder Representative

\_\_\_\_\_  
Dated \_\_\_\_\_ Signature of Seller -If Seller Is Not an Individual, Type/print Name and Title and Name of Selling Entity.  
If Signator Is Not the Owner, Type/print Name and Title. Attach Copy of Power of Attorney.

Sworn to and subscribed before me on the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

PERSONALIZED  
SEAL

\_\_\_\_\_  
Notary Public Signature

**LENDER CERTIFICATION**

\_\_\_\_\_  
The Lender, certifies that as of the date of closing has (1) reviewed the foregoing certifications of the Mortgagor(s) and the Seller/Builder and found them to be true and correct; (2) has charged the Mortgagor(s) only reasonable and customary fees of processing the financing and no more than charged to buyers of other products we originate; and (3) after completion of all underwriting, verifications and investigations has approved the mortgage loan. The Lender hereby agrees that it will immediately forward to the Servicer all information which it may receive during the life of the mortgage loan which (1) may indicate that the mortgagor(s) may have made a misrepresentation in applying or (2) may affect the mortgagor's continued eligibility.

**LENDER ALSO CERTIFIES:**  
IF NEW CONSTRUCTION, CERTIFICATE OF OCCUPANCY DATE: \_\_\_\_\_

\_\_\_\_\_  
Dated \_\_\_\_\_ Signature of Authorized Officer

\_\_\_\_\_  
Telephone Number of Authorized Officer \_\_\_\_\_ Print Name & Title of Authorized Officer

**EXHIBIT G**

**TAX EXEMPT RIDER TO SECURITY INSTRUMENT**

THIS TAX-EXEMPT FINANCING RIDER is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_, and is incorporated into and shall be deemed to amend and supplement the Mortgage or Security Deed ("*Security Instrument*") of the same date given by the undersigned ("*Mortgagor*") to secure Mortgagor's Note ("*Note*") to \_\_\_\_\_ ("*Lender*") of the same date and covering the property described in the Security Instrument and located at: \_\_\_\_\_ (**Property Address**).

In addition to the covenants and agreements made in the Security Instrument, Mortgagor and Lender further covenant and agree as follows:

Lender, or such of its successors or assigns as may by separate instrument assume responsibility for assuring compliance by the Mortgagor with the provisions of this Tax-Exempt Financing Rider, may require immediate payment in full of all sums secured by this Security Instrument if the loan is not paid in full and:

- (a) all or part of the property is sold or otherwise transferred by Mortgagor to a purchaser or other transferee:
  - (i) who cannot reasonably be expected to occupy the property as a principal residence within a reasonable time after the sale or transfer, all as provided in Sections 143(c) and (i)(2) of the Internal Revenue Code; or
  - (ii) who has had a present ownership interest in a principal residence during any part of the three-year period ending on the date of the sale or transfer, all as provided in Sections 143(d) and (i)(2) of the Internal Revenue Code (except that "100 percent" shall be substituted for "95 percent or more" where the latter appears in Section 143(d)(1); or
  - (iii) at an acquisition cost which is greater than 90 percent of the average area purchase price (greater than 110 percent for targeted area residences), all as provided in Section 143(e) and (i) (2) of the Internal Revenue Code; or
  - (iv) who has a gross family income in excess of the applicable percentage of applicable median family income, as provided in Section 143 (f) and (i) (2) of the Internal Revenue Code; or
- (b) Mortgagor fails to occupy the property described in the mortgage without the prior written consent of the Mortgagee or its successors or assigns described at the beginning of this addendum; or
- (c) Mortgagor omits or misrepresents a fact which is material with respect to the provisions of Section 143 of the Internal Revenue Code of 1986 in an application for this mortgage.

References are to the Internal Revenue Code as amended and in effect on the date of issuance of the Bonds, the proceeds of which will be used to finance the purchase of the Security Instrument and are deemed to include the implementing regulations.

DATE: \_\_\_\_\_

SIGNATURE OF MORTGAGOR \_\_\_\_\_

SIGNATURE OF MORTGAGOR \_\_\_\_\_

## EXHIBIT H

### SERVICER/ADMINISTRATOR'S CERTIFICATE CITY OF PHOENIX/MARICOPA COUNTY SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAM OF 2004

The undersigned officer of U.S. Bank N.A., acting through U.S. Bank Home Mortgage-MRBP Division, which is acting as Servicer/Administrator (the "*Servicer/Administrator*") under the City of Phoenix/Maricopa County Single Family Mortgage Revenue Bond Program of 2004, does hereby make and execute this certificate pursuant to (a) the Origination, Servicing and Administration Agreement, dated as of July 1, 2004 (the "*Agreement*"), among The Industrial Development Authority of the City of Phoenix, Arizona (the "Phoenix Authority"), The Industrial Development Authority of the County of Maricopa (the "Maricopa Authority" and, together with the Phoenix Authority, the "Authorities") the mortgage lending institutions named therein and the Servicer/Administrator, and (b) the Indenture of Trust, dated as of July 1, 2004 (the "*Indenture*"), among the Authorities and Wells Fargo Bank, N.A., as trustee (the "*Trustee*"). All capitalized terms used herein and not otherwise defined herein shall have the respective meanings assigned in the Agreement or the Indenture.

The Servicer/Administrator will submit to the Trustee a [GNMA/Fannie Mae] Certificate (the "*Certificate*") for purchase pursuant to the Indenture on \_\_\_\_\_, \_\_ (the "*Certificate Acquisition Date*"). The Servicer/Administrator hereby requests payment of the [GNMA/Fannie Mae] Certificate Purchase Price against delivery by the Servicer/Administrator of the subject Certificate. The undersigned hereby certifies, on behalf of the Servicer/Administrator, that the following information concerning the Certificate and the Mortgage Loans forming the Pool represented by the Certificate is true and correct:

(1) The [GNMA/Fannie Mae] Certificate Purchase Price is \$\_\_\_\_\_, and is composed of (a) a principal component in the amount of \$\_\_\_\_\_, (b) an accrued interest component in the amount of \$\_\_\_\_\_.

(2) The Certificate has been duly authorized, executed and delivered by the issuer thereof and constitutes a valid and binding obligation enforceable in accordance with its terms.

(3) After reasonable review as set forth in the Agreement, the Servicer/Administrator believes that each Mortgage Loan in the Pool represented by the Certificate satisfies the requirements of the Agreement and Section 4.08 of the Indenture, including that all prerequisites to the issuance or book-entry of the Certificate have been satisfied.

(4) The Certificate conforms to the requirements of the Agreement.

(5) The amount of the purchase price of the [GNMA/Fannie Mae] Certificate allocated to Targeted Area Mortgage Loans in the pool backing the [GNMA/Fannie Mae] Certificate is \$\_\_\_\_\_ and the amount of the purchase price of the [GNMA/Fannie Mae] Certificate allocated to Non Targeted Area Mortgage Loans in the pool backing the [GNMA/Fannie Mae] Certificate is \$\_\_\_\_\_.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_\_\_ day of \_\_\_\_\_,  
\_\_\_\_\_.

U.S. BANK N.A., as Servicer/Administrator

By \_\_\_\_\_  
Title \_\_\_\_\_

## **EXHIBIT I**

### **LIST OF POOL DOCUMENTATION PACKAGE (GNMA CERTIFICATES)**

Such documentation must include:

1. Prior to the delivery of securities by GNMA, the GNMA Custodian shall have provided its certification with respect to at least the following documents relative to each and all pooled loans (this is the Initial Certification):

A. The original note or other evidence of indebtedness endorsed in blank and without recourse.

B. An assignment to GNMA of the Mortgage or other security instrument in recordable form but not recorded. (If the Servicer/Administrator did not originate a loan, the Servicer/Administrator must be provided all necessary assignments to show a complete chain of title from the originating mortgagee to the Servicer/Administrator. Such interim assignments must be recorded or be certified to have been transmitted for recordation if local law requires recordation in order to make the assignment valid against lienholders. The interim assignments must be either originals or certified copies of the originals.)

C. An executed original Form(s) HUD 11711A Release of Security Interest (see Appendix 14) executed by any and all secured institution(s) relating to any and all mortgages included in the mortgage pool, which states that:

The lending or other financing institution named herein agrees to relinquish any and all right, title, or interest it may have in mortgages to be placed in this GNMA mortgage-backed securities pool or loan package no later than the date and time of delivery (release) of the securities by GNMA or its agent.

(One or more release per pool is required to be held by the GNMA Custodian to the extent necessary to encompass all mortgages in the pool. If there are no such security interests, this submission is not required, and the fact should be reported on Form HUD 11711B.)

D. An executed original Form HUD 11711B Certification (see Appendix 15) signed by an officer of the Servicer/Administrator stating that:

1. Release(s) of security interest Form(s) HUD 11711A) delivered by the Servicer/Administrator to the GNMA Custodian comprise all evidence of any security agreement affecting any and all mortgages in this pool; or

2. Other than the assignment to GNMA, there are and will be no other security agreements affecting any mortgages in this pool.

3. Within ninety (90) days from the date of issuance of the securities, the following additional documents shall have been delivered to the GNMA Custodian by the Servicer/Administrator, unless an extension is requested of and approved by GNMA. Such requests for extensions shall be made using Form

HUD 11749 (see Appendix 31). Upon receipt of the documents, Custodian shall certify to that fact and to its determination that the documents satisfy the requirements of section 7.3 of the GNMA Guide and section 7.5 of the GNMA Guide on a copy of the Schedule of Pooled Mortgages (this is the Final Certification):

A. Evidence of FHA Insurance signed by FHA or VA Guaranty signed by VA.

B. Original recorded Mortgages (or other security instruments) signed by the Mortgagor securing repayment of the indebtedness.

C. Title Policy or other evidence of title acceptable to FHA or VA, as applicable.

4. The Servicer/Administrator must complete and submit the documents specified below. Except for the Initial Certification on the reverse side of the Schedule of Pooled Mortgages, all documents must be executed by the Servicer/Administrator (as issuer of the GNMA Certificate) and other appropriate parties on or before the issue date.

A. Form HUD 11704, Commitment to Guarantee Mortgage-Backed Securities.

B. Form HUD 11705, Schedule of Subscribers.

C. Form HUD 11706, Schedule of Pooled Mortgages.

D. Form HUD 11707, Servicing Agreement.

E. Form HUD 11709, Letter Agreement for Servicer's Principal and Interest Custodial Account.

F. Form HUD 11715, Custodial Agreement.

G. Form HUD 11717, Prospectus.

H. Form HUD 11720, Letter Agreement for Servicer's Escrow Custodial Account.

I. Form HUD 11744, Schedule of Buydown Escrow Accounts, if applicable.

## EXHIBIT J

### RECAPTURE TAX NOTICE TO MORTGAGOR

(To be completed by Participant and delivered to Mortgagor at the time of Closing of the Mortgage Loan)

Borrower: \_\_\_\_\_

Loan Amount: \$\_\_\_\_\_

#### A. INTRODUCTION.

1. *General.* When you sell your home you may have to pay a recapture tax as calculated below. The recapture tax may also apply if you dispose of your home in some other way. Any references in this notice to the “sale” of your home also includes other ways of disposing of your home. For instance, you may owe the recapture tax if you give your home to a relative.

2. *Exceptions.* In the following situations, no recapture tax is due and you do not need to do the calculations:

You dispose of your home later than nine years after you close your mortgage loan;

Your home is disposed of as a result of your death;

You transfer your home either to your spouse or to your former spouse incident to divorce and you have no gain or loss included in your income under Section 1041 of the Internal Revenue Code; or

You dispose of your home at a loss.

#### B. MAXIMUM RECAPTURE TAX.

The maximum recapture tax that you may be required to pay as an addition to your federal income tax is \$\_\_\_\_\_ [Participant: insert the actual dollar amount resulting from the product of 6.25% multiplied by the highest principal amount of the mortgage loan]. This amount is 6.25% of the highest principal amount of your mortgage loan and is your federally subsidized amount with respect to the loan.

#### C. ACTUAL RECAPTURE TAX.

The actual recapture tax, if any, can only be determined when you sell your home, and is the lesser of (1) 50% of your gain on the sale of your home, regardless of whether you have to include that gain in your income for federal income tax purposes, or (2) your recapture amount determined by multiplying the following three numbers:



(i) \$\_\_\_\_\_ [Participant: insert the actual dollar amount resulting from the product of 6.25% multiplied by the highest principal amount of the mortgage loan] (the maximum recapture tax, as described in paragraph B above),

(ii) The holding period percentage, as listed in Column 1 in the Table, and

(iii) The income percentage, as described in paragraph D below.

D. INCOME PERCENTAGE.

You calculate the income percentage as follows:

(i) Subtract the applicable adjusted qualifying income in the taxable year in which you sell your home, as listed in Column 2 in the Table, from your modified adjusted gross income in the taxable year in which you sell your home.

Your modified adjusted gross income means your adjusted gross income shown on your federal income tax return for the taxable year in which you sell your home, with the following two adjustments: (a) your adjusted gross income must be increased by the amount of any interest that you receive or accrue in the taxable year from tax-exempt bonds that is excluded from your gross income (under Section 103 of the Internal Revenue Code); and (b) your adjusted gross income must be decreased by the amount of any gain included in your gross income by reason of the sale of your home.

(ii) If the amount calculated in (i) above is zero or less, you owe no recapture tax and do not need to make any more calculations. If it is \$5,000 or more, your income percentage is 100%. If it is greater than zero but less than \$5,000, it must be divided by \$5,000. This fraction, expressed as a percentage, represents your income percentage. For example, if the fraction is \$1,000/\$5,000, your income percentage is 20%.

E. LIMITATIONS AND SPECIAL RULES ON RECAPTURE TAX.

1. If you give away your home (other than to your spouse or ex-spouse incident to divorce), you must determine your actual recapture tax as if you had sold your home for its fair market value.

2. If your home is destroyed by fire, storm, flood, or other casualty, there generally is no recapture tax if, within two years, you purchase additional property for use as your principal residence on the site of the home financed with your original subsidized mortgage loan.

3. In general, except as provided in future regulations, if two or more persons own a home and are jointly liable for the subsidized mortgage loan, the actual recapture tax is determined separately for them based on their interests in the home.

4. If you repay your loan in full during the nine-year recapture period and you sell your home during this period, your holding period percentage may be reduced under the special rule in Section 143(m)(4)(C)(ii) of the Internal Revenue Code.

5. Other special rules may apply in particular circumstances. You may wish to consult with a tax advisor or the local office of the Internal Revenue Service when you sell or

otherwise dispose of your home to determine the amount, if any, of your actual recapture tax. See Section 143(m) of the Internal Revenue Code generally.

Please acknowledge your receipt of a copy of this notice by signing below.

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature of Borrower

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature of Borrower

**TABLE**

DATE THAT YOU SELL YOUR HOME	(COLUMN 1) HOLDING PERIOD PERCENTAGE	(COLUMN 2) ADJUSTED QUALIFYING INCOME NUMBER OF FAMILY MEMBERS LIVING IN YOUR HOME AT THE TIME OF SALE	
		2 OR LESS	3 OR MORE
Before the first anniversary of closing (See note below)	20%	\$ _____ *	\$ _____ *
On or after the first anniversary of closing, but before the second anniversary of closing	40%	\$ _____ *	\$ _____ *
On or after the second anniversary of closing, but before the fourth anniversary of closing	60%	\$ _____ *	\$ _____ *
On or after the third anniversary of closing, but before the fourth anniversary of closing	80%	\$ _____ *	\$ _____ *
On or after the fourth anniversary of closing, but before the fifth anniversary of closing	100%	\$ _____ *	\$ _____ *
On or after the fifth anniversary of closing, but before the sixth anniversary of closing	80%	\$ _____ *	\$ _____ *
On or after the sixth anniversary of closing, but before the seventh anniversary of closing	60%	\$ _____ *	\$ _____ *
On or after the seventh anniversary of closing, but before the eighth anniversary of closing	40%	\$ _____ *	\$ _____ *
On or after the eighth anniversary of closing, but before the ninth anniversary of closing	20%	\$ _____ *	\$ _____ *

NOTE: Closing means the closing date of your loan.

\* Participant: The actual notice to the mortgagor must provide the actual dollar figures for adjusted qualifying incomes for each of the years covered by the table. The entries in the first row are the highest qualifying incomes that, as of the date of the mortgage loan closing, would have met the low income requirement of Section 143(f) of the Code, taking into account whether the home financed with the subsidized mortgage loan is located in a targeted area as described in Section 143(j) of the Code (but determined without regard to Section 143(f)(3)(A) of the Code) or in a high housing cost area as described in Section 143(f)(5) of the Code. The entries in each subsequent row equal the entries in the immediately preceding row, times 1.05. The formula for determining these numbers is set forth in Section 143(m)(5) of the Code.

**EXHIBIT K**

**QUALIFIED MORTGAGE BOND INFORMATION REPORT**

Name of issuer: The Industrial Development Authority of the City of Phoenix, Arizona  
and The Industrial Development Authority of the County of Maricopa

Address of issuer: \_\_\_\_\_  
\_\_\_\_\_

TIN of issuer: \_\_\_\_\_

Reporting period: \_\_\_\_\_

---

**NUMBER OF MORTGAGE LOANS BY INCOME AND ACQUISITION COST**

3 YEAR REQUIREMENT:	SATISFIED		NOT SATISFIED		TOTALS
ANNUALIZED GROSS MONTHLY INCOME OF BORROWERS	NONTARGETED AREA	TARGETED AREA	NONTARGETED AREA	TARGETED AREA	
\$ 0 - 9,999					
\$ 10,000 - 19,999					
\$ 20,000 - 29,999					
\$ 30,000 - 39,999					
\$ 40,000 - 49,999					
\$ 50,000 - 74,999					
\$75,000 or more					
TOTAL					
ACQUISITION COST					
\$ 0 - 9,999					
\$ 20,000 - 39,999					
\$ 40,000 - 59,999					
\$ 60,000 - 79,999					
\$ 80,000 - 99,999					
\$100,000 - 119,999					
\$120,000 - 149,999					
\$150,000 - \$199,999					
\$ 200,000 or more					
TOTAL					

---

**VOLUME OF MORTGAGE LOANS BY INCOME AND ACQUISITION**

3 YEAR REQUIREMENT:	SATISFIED		NOT SATISFIED		TOTALS
ANNUALIZED GROSS MONTHLY INCOME OF BORROWERS	NONTARGETED AREA	TARGETED AREA	NONTARGETED AREA	TARGETED AREA	
\$ 0 - 9,999					
\$ 10,000 - 19,999					
\$ 20,000 - 29,999					
\$ 30,000 - 39,999					
\$ 40,000 - 49,999					
\$ 50,000 - 74,999					
\$ 75,000 or more					
TOTAL					
ACQUISITION COST					
\$ 0 - 9,999					
\$ 20,000 - 39,999					
\$ 40,000 - 59,999					
\$ 60,000 - 79,999					
\$ 80,000 - 99,999					
\$100,000 - 119,999					
\$120,000 - 149,999					
\$150,000 - \$199,999					
\$ 200,000 or more					
TOTAL					

**EXHIBIT L**

**COMMITMENT LOT NOTICE**

**THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA  
AND THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF MARICOPA  
SINGLE FAMILY MORTGAGE REVENUE BONDS  
(GNMA AND FANNIE MAE MORTGAGE BACKED SECURITIES PROGRAM)  
SERIES 2004**

Wells Fargo Bank, N.A.  
Phoenix, Arizona  
Attention: Kathleen Jakubowicz

U.S. Bank, N.A.  
The Industrial Development Authority of  
the City of Phoenix, Arizona  
The Industrial Development Authority of  
the County of Maricopa

Fannie Mae  
Washington D.C.  
Attention: Michael Rylant

On the date hereof, the following Commitment Lot has been established with the following interest rate:

Date: \_\_\_\_\_/Time: \_\_\_\_\_

Commitment Lot Size: \$\_\_\_\_\_ (plus or minus 10%)

Forward Delivery Period: [five/four] months

Subseries Bond Rate:

INDEX RATE	AGREED ADDITIONS	SUBSERIES BOND RATE
_____%	[1.05%/1.00%]	_____%

Mortgage Loan Rate for Commitment Lot:

TYPE	SUBSERIES BOND RATE	FIXED FEES	AUTHORITY FEE	MORTGAGE LOAN RATE
Fixed Rate	_____%	.53%	_____%	_____%

Mortgage Loan Acquisition Deadline: \_\_\_\_\_

Certificate Acquisition Date: \_\_\_\_\_

**EXHIBIT M**

**LENDER COMMITMENT LOT NOTICE**

**THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA  
AND THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF MARICOPA  
SINGLE FAMILY MORTGAGE REVENUE BONDS  
(GNMA AND FANNIE MAE MORTGAGE BACKED SECURITIES PROGRAM)  
SERIES 2004**

Date: \_\_\_\_\_

START DATE: \_\_\_\_\_

Interest Rate: \_\_\_\_\_

Commitment Lot Size: \$ \_\_\_\_\_

P&I Factor \_\_\_\_\_ per thousand

Final Loan Purchase Date: \_\_\_\_\_  
(Latest Date loans can be purchased by the Master Servicer)

US BANK  
Home Mortgage

If you have any questions regarding this lot, please contact  
The Bond Compliance Office at (888) 643-7974  
or  
<http://www.mrbp.usbank.com>