



"HOME PLUS" MORTGAGE LOAN PROGRAM

MORTGAGE ORIGINATION AGREEMENT

This Mortgage Origination Agreement (this "Agreement") is entered into, as of the date set forth below, by and between the Arizona Housing Finance Authority (the "Authority"), acting on behalf of the Arizona Department of Housing ("ADOH"), and the lending institution executing this Agreement (a "Lender") in connection with the origination of qualified first-lien mortgage loans under the "Home Plus" Mortgage Loan Program (the "Program"). Capitalized terms used herein and not otherwise defined have the meanings set forth in Exhibit A hereto.

WHEREAS, ADOH has been duly created and organized pursuant to the laws of the State of Arizona, including Chapter 37, Article 2 Sections 41-3951 through 41-3957 of the Arizona Revised Statutes (the "Act"), and has authorized the Program; and

WHEREAS, ADOH and the Authority have entered into an Intergovernmental Services Agreement pursuant to which the Authority will act on behalf of ADOH to establish, operate and maintain the Program; and

WHEREAS, under the Program funds will be made available to finance certain qualified mortgage loans within the State of Arizona (the "State") through the acquisition and sale of fully modified mortgage backed securities issued on behalf of and guaranteed as to timely payment of principal and interest by the Government National Mortgage Association ("GNMA"); and

WHEREAS, the Authority intends to make available its funds to provide certain grants to Eligible Borrowers for closing cost and down payment assistance, as described herein; and

WHEREAS, the Lender wishes to participate in the Program and has agreed to make Mortgage Loans to Eligible Borrowers in accordance with this Agreement and the Program guidelines for the Program (the "Program Guidelines"); and

NOW, THEREFORE, in consideration of the promises set forth herein, the parties mutually agree as follows:

Section 1. The Program and the Program Guidelines. The Lender hereby acknowledges its receipt of the Program Guidelines, and the Lender hereby covenants and agrees to originate Mortgage Loans in accordance with this Agreement, the Program Guidelines, the Participating Lender Agreement (between the Lender and the Servicer) and any other applicable Program Document. Failure by the Lender to perform its obligations under this Agreement may result in a suspension of its participation in the Program even if the Lender remains in good standing with the Servicer.

Section 2. Servicer. The servicer for the Program (the “Servicer”) will be U.S. Bank National Association. All Lenders must be approved by and remain in good standing with the Servicer, or any other successor or additional Servicer designated by the Authority. The Servicer will purchase the Mortgage Loans and will service all Mortgage Loans. Each Lender will originate Mortgage Loans in accordance with this Agreement and the Participating Lender Agreement and all other Program Documents. The Lender will execute a Participating Lender Agreement directly with the Servicer to confirm origination, delivery and purchase terms and conditions for Mortgage Loans under the Program. Mortgage Loan purchases will be made following receipt and review of Mortgage Loan closing documents, including evidence of compliance with the Program Guidelines, applicable Mortgage Loan underwriting requirements, FHA, VA and USDA-RHS requirements, and federal and state regulations.

Section 3. Representations, Warranties and Covenants of the Authority. The Authority represents and warrants that:

(a) The Authority is a body corporate and politic under the laws of the State. The Authority has full power and authority to consummate all transactions, execute all documents, and issue all instruments contemplated by this Agreement on behalf of ADOH.

(b) The origination of Mortgage Loans by the Lender to finance the purchase of Residences by Eligible Borrowers, the purchase of Mortgage Loans by the Servicer and the pooling and sale of the GNMA Certificates under the terms of this Agreement, the other Program Documents and the servicing agreement between the Authority and the Servicer, will further and fulfill the public purposes of the Act.

(c) The execution and delivery of this Agreement by the Authority (on behalf of ADOH) and the performance of and compliance with the terms thereof by the Authority will not, to its knowledge, violate any applicable laws in any respect that could have any material adverse effect whatsoever upon the validity, performance, or enforceability of any of the terms of this Agreement.

(d) This Agreement constitutes a valid and binding obligation of the Authority, enforceable in accordance with its terms, except as the enforcement thereof may be limited by applicable bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors’ rights generally and general principles of equity and by principles of sovereign immunity.

Section 4. Representations, Warranties, and Covenants of the Lender. The Lender represents and warrants to, and covenants with, the Authority that:

(a) The Lender will duly execute this Agreement, the Participating Lender Agreement and any other applicable Program Document prior to participation in the Program.

(b) The Lender is duly organized, validly existing, and in good standing under the laws governing its creation and existence, is duly authorized and qualified to do 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.

(c) The Lender 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 State, or is a holding company of any of the foregoing.

(d) The Lender shall comply, as to each FHA Mortgage Loan, with the National Housing Act, as amended and supplemented, all rules and regulations issued thereunder, and all administrative publications published pursuant thereto.

(e) The Lender shall comply, as to each VA 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.

(f) The Lender shall comply, as to each USDA-RHS Mortgage Loan, with the Cranston-Gonzales National Affordable Housing Act of 1990, as amended, all rules and regulations issued thereunder relating to USDA-RHS-guaranteed home mortgage loans, and all administrative publications published pursuant thereto.

(g) The Lender 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, in connection with the origination of Mortgage Loans under the Program.

(h) The Lender shall not engage in any predatory or deceptive lending practices in connection with the origination of a Mortgage Loan, including but not limited to, the extension of credit without regard for a Mortgagor's ability to repay the related Mortgage Loan, and/or the extension of credit which has no apparent benefit to the Mortgagor. Each Mortgage Loan application shall be in compliance with anti-predatory lending eligibility requirements as required by the Program Documents and any applicable federal, state and local laws, rules and regulations.

(i) No information, certificate, statement, report or affidavit submitted by the Lender to the Authority, the Servicer or the Administrator pursuant to the Program Documents shall, to the knowledge of the Lender, contain any untrue statement of a material fact or omit to state a material fact necessary to make the information, certificate, statement, report or affidavit not misleading.

(j) Each Mortgage Loan shall be eligible for FHA insurance, VA guaranty or USDA-RHS guaranty, and GNMA pooling.

(k) The Lender shall only originate Mortgage Loans that fully comply with the Program Guidelines and the Program Documents.

(l) The Lender shall fulfill all Mortgage Loan repurchase requirements, return of DPA Grant requirements, and any other "make-whole" or similar requirements set forth in the Participating Lender Agreement, this Agreement and any other Program Document.

(m) Neither the execution and delivery of this Agreement or any other Program Document by the Lender nor the performance and compliance with the terms of other Program Document by the Lender will (i) violate the instruments creating the Lender or governing its operations, (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 Lender, 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 Lender is a party or that may be applicable to the Lender or any of its assets.

(n) The execution and delivery of this Agreement or any other Program Document by the Lender in the manner contemplated herein and the performance and compliance with the terms hereof or thereof by it does not require the consent or approval of any governmental authority or, if such consent or approval is required, it has been obtained.

(o) This Agreement and each other Program Document executed by the Lender constitutes a valid, legal, and binding obligation of the Lender, enforceable in accordance with its terms, except as the enforcement thereof may be limited by applicable bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights generally and general principles of equity.

(p) The Lender agrees that, so long as it shall continue to serve in the capacity of Lender, 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 Lender 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 Lender 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 Lender to perform the Lender's duties under this Agreement, and shall demonstrate, to the reasonable satisfaction of the Authority, its ability to perform the duties of Lender as specified in this Agreement, and shall assume in writing all of the obligations of the Lender under this Agreement. In such event the Authority shall release the Lender in writing, concurrently with and contingent upon such assumption, from all obligations so assumed.

(q) No information, certificate, written statement, or report required hereunder or any other Program Document, delivered to the Authority or the Servicer shall 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.

(r) The compliance review and/or approval of a Mortgage Loan by the Administrator shall not relieve the Lender of any responsibility or liability for the performance or non-performance of any obligation under this Agreement, the Participating Lender Agreement or any other Program Document.

(s) From time to time the Lender shall report, as more fully set forth in this Agreement, information relating to the Mortgage Loans to the Authority, the Administrator and the Servicer, and shall do every act and thing that may be necessary or required to perform its duties under this Agreement and all other Program Documents.

(t) The Lender shall indemnify and hold harmless ADOH and the Authority and its officers, governing board, and employees against all liability incurred by the Authority and/or ADOH 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 Lender hereunder.

Section 5. Representations, Warranties, and Covenants of Lender Relating to Compliance with Program Requirements. (a) The Lender understands that the applicable Program requirements must be met with respect to each Mortgage Loan, and the Lender agrees to take all actions reasonably necessary to ensure compliance with such requirements, including the following:

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

(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 each Residence financed with a Mortgage Loan under a Program shall have a Purchase Price not in excess of the applicable Maximum Purchase Price;

(iv) that the proceeds of the Mortgage Loan shall not be used to acquire or replace an existing mortgage, i.e., that each Mortgage Loan made under a 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 twenty four (24) months of the Closing Date, having an original term of twenty four (24) months or less, and not providing for scheduled payments of principal during such term;

(v) that all Mortgage Loans must be provided to Mortgagors whose Family Income does not exceed the applicable Maximum Family Income; and

(vi) that no Mortgage Loans shall be made with respect to a two-family Residence (three- or four- family Residences are not permitted under the Program) unless one unit of the Residence is the Principal Residence of the Mortgagor.

(b) The Lender hereby covenants and agrees to follow the procedures as set forth in the Program Documents to ensure compliance with the foregoing requirements.

(c) The Lender agrees that to the extent (i) there is any change to State law which requires changes to any Program requirements, or (ii) Mortgage Loans are financed in whole or part from the proceeds of qualified mortgage bonds under Section 143 of the Internal Revenue Code of 1986, as amended, the Lender will enter into amendments to this Agreement (and any other Program Document executed by the Lender) that incorporates such amendments.

Section 6. Program Participation.

(a) *Participation Generally.* The Lender will submit all items required by the Authority and the Servicer and the Administrator to participate in the Program, and will use its best efforts to originate Mortgage Loans, and sell such Mortgage Loans to the Servicer, in accordance with the requirements of the Program and the Program Documents.

(b) *Funding Availability.* There may be limitations on funding availability for the Program. All available funding for the Program will be made available to Lenders on a

first-come, first-served basis. The Authority and/or the Servicer may add new Lenders to the Program.

(c) *Limitation on Permitted Types of Mortgage Loans.* Initially, only Mortgage Loans that are FHA Mortgage Loans, VA Mortgage Loans or USDA-RHS Mortgage Loans may be originated under this Agreement. However, the Lender agrees at the Authority's written request to consent to any amendments to the Program Documents necessary to include in the Program Conventional Mortgage Loans and/or mortgage-backed securities issued by Fannie Mae and/or Freddie Mac.

(d) *Timelines for Delivery and Purchase of Mortgage Loans and Compliance Review.* (i) The Lender must have a fully executed sales contract for a Residence before a Mortgage Loan reservation may be made with the Administrator for the Authority Program.

(ii) Each Mortgage Loan must be certified by an underwriter ("underwriter certified") within the period specified in the Program Guidelines (initially fifteen (15) days of Mortgage Loan reservation).

(iii) Each Mortgage Loan must be closed, funded and delivered to the Servicer within the period specified in the Program Guidelines (initially, Mortgage Loans must be delivered to the Servicer within forth-five (45) calendar days of loan reservation).

(iv) Each Mortgage Loan must be reviewed and approved for compliance with applicable Program requirements by the Administrator before the Mortgage Loan will be eligible for purchase by the Servicer.

(v) Mortgage Loans must be purchased by the Servicer within the period specified in the Program Guidelines (which shall initially be seventy (70) calendar days from Mortgage Loan reservation; provided that Lenders may elect a one-time 30-day extension for an extension fee of \$375 (such time period and such fee amount being subject to change at the discretion of the Authority). The extension fee is due regardless of whether or not the Mortgage Loan is actually purchased by the end of such extension period. The extension fee will be deducted from the Purchase Price (or if the Mortgage Loan is not purchased, the Lender will be billed for the extension fee by the Authority or its designee). If the (extended) Mortgage Loan is not purchased within 100 calendar days from loan reservation, the Mortgage Loan will become ineligible for purchase.

(e) *Down Payment Assistance.* (i) The Authority may, in its sole discretion, make funds available to provide a DPA Grant for each Mortgage Loan made under the Program. Such Down Payment Assistance shall be in the amount specified in the Program Guidelines and shall be initially four percent (4%) of the initial principal amount of a Mortgage Loan. Such DPA Grant shall be directly provided to the Mortgagor at Closing by the Authority. A DPA Grant may be used only as described in paragraph (ii) below.

(ii) The DPA Grant shall be applied only for the following purposes, and in the following order of priority: (i) to pay for any costs collected by the Lender under paragraph (iii) below or under Section 7(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 Authority or the Servicer.

(iii) Closing costs mean 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.

If for any reason a closed Mortgage Loan is not purchased by the Servicer, or if such Mortgage Loan is required to be repurchased by the Lender from the Servicer (or, any custodian or trustee, if applicable) under the terms of this Agreement or for any other reason, then, in any such event, the Lender shall immediately reimburse the Authority for the full amount of any DPA Grant funded by the Authority with respect to the related Mortgage Loan at the closing of such loan.

The Lender shall issue a Commitment to each Eligible Borrower for the related Mortgage Loan and sell such Mortgage Loan to the Servicer as soon as practicable after the related Closing and within the time period required under this Agreement. Each Commitment shall specify a Closing Date that is on or prior to the Commitment Expiration Date.

Applications for Mortgage Loans shall be accepted and processed on a first come, first served basis.

If, at any time subsequent to a reservation for a Mortgage Loan, it shall become apparent to the Lender 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 or the applicable Program Guidelines, the Lender shall promptly cancel such Mortgage Loan through the Lender Portal. Once a Mortgage Loan is cancelled through the Lender Portal, the Lender will be unable to submit a new reservation for the related Borrower for a period of sixty (60) calendar days after such cancellation. Requests for a re-reservation of a Mortgage Loan within the sixty (60) day lockout period may be granted by the Authority in its sole discretion if extenuating circumstances exist regarding the cancellation of the Mortgage Loan.

(f) *Homebuyer Education.* To qualify for a Mortgage Loan under the Program, each Eligible Borrower must complete a homebuyer education course before the Closing. The homebuyer education requirement may be met taking an online course through MGIC or another HUD-approved homebuyer education provider.

(g) *Home Inspection.* To qualify for a Mortgage Loan under the Program, each Eligible Borrower must obtain a home inspection of the Residence prior to Closing, as described under the Program Guidelines.

Section 7. Origination Procedures and Mortgage Loan Terms. All Mortgage Loans originated by a Lender hereunder shall comply in all respects with all terms and provisions of this Agreement, including those set forth in this Section 7, the Program Guidelines and the Participating Lender Agreement and all other Program Documents.

(a) *Origination Standards.* The Lender shall originate all Mortgage Loans in accordance with the loan origination, eligibility and credit underwriting standards of FHA, VA, USDA-RHS and/or GNMA, as applicable. The Lender is permitted to accept cosignors and guarantors on behalf of Eligible Borrowers in accordance with this Agreement, *provided* that all the requirements of FHA, VA, USDA-RHS and/or GNMA, as applicable, are met, and the applicable Program Guidelines are met.

(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 the applicable Mortgage Loan interest rate as specified on the Lender Portal of the Administrator;

(iv) shall provide for level monthly payments of principal and interest representing the amount necessary to fully amortize the Mortgage Loan over a thirty (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 fifteen (15) days and late payment charges in amounts not in excess of the customary charges permitted by the FHA, VA, USDA-RHS and/or GNMA, 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, USDA-RHS and/or GNMA, as applicable;

(vii) shall be the subject of FHA Insurance, VA Guaranty or USDA-RHS Guaranty, as applicable, and shall conform in all respects to the eligibility and credit underwriting standards specified by FHA, VA,

USDA-RHS and/or GNMA, as applicable. The Program Affidavit shall be used in connection with the origination of the Mortgage Loans;

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

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

(x) shall comply in all respects with this Agreement, the Program Guidelines, the Participating Lender Agreement, the GNMA Guide and FHA, VA or USDA-RHS rules and regulations, each as applicable; and

(xi) shall be eligible for pooling and securitizing into GNMA Certificates.

(c) *Fees and Charges.* Upon receipt of an application for a Mortgage Loan, a Lender may charge an application fee, appraisal fee, credit report fee, and similar fees, but only to the extent permitted by applicable laws and regulations. At the Closing, a Lender may collect from either the Eligible Borrower or Seller (i) the Origination Fee, (ii) the Discount Fee, *provided* that neither the Origination Fee nor the Discount Fee exceed the applicable FHA, VA, USDA-RHS or GNMA limits; (iii) the Transfer Fee, the Compliance Review Fee and the Tax Service Fee, and (iv) all other reasonable and customary charges paid or incurred by the Lender for hazard or mortgage insurance premiums, life of loan flood monitoring fee as specified in the Lender Guide, any FHA Insurance fee, VA Guaranty fee, USDA-RHS Guaranty 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 applicable laws and regulations. Any amounts collected by the Lender 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 Lender 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 the applicable Program rules, the Lender shall use good faith efforts and diligence in carrying out the following procedures with respect to each Mortgage Loan:

(i) the Lender shall obtain a Program Affidavit duly executed by the Mortgagor and the Lender and shall review, verify and certify that the requirements of Sections 5 and 7(b) are satisfied;

(ii) the Lender 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, review of employment

and utility records, review of the purchase contract for the Residence to determine the Purchase Price, 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 applicable Maximum Purchase Price limit is satisfied as of the date of the execution of the Mortgage Loan;

(iii) the Lender 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;

(iv) the Lender shall prepare, execute and deliver the Program Affidavit; and

(v) the Lender shall carry out such additional verification procedures as may be reasonably requested by the Authority, the Administrator or the Servicer.

The obligations of the Lender pursuant to this paragraph 7(d) shall inure to the benefit of the Authority, the Servicer and the Administrator.

(e) *Notice to the Authority by Lender of Invalid Representation, Warranty or Covenant.* If, at any time, any representation, warranty or covenant of the Lender set forth in this Agreement or any other Program Document would not be true and correct in all respects if made by the Lender 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), the Lender shall immediately notify the Authority of such fact and provide a full and accurate explanation thereof.

Section 8. Prohibition of Discrimination. The Lender shall not arbitrarily reject an application for a Mortgage Loan because of the location (except with respect to the Program Area requirement) 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, the Lender 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 the Lender until the Mortgage Loan is fully paid.

Section 9. Mortgage Loan Submission and Purchase; Compliance Package Submission. (a) The Servicer has no obligation to purchase a Mortgage Loan from the Lender unless the Mortgage Loan meets all the requirements set forth in the Program Documents. Each Mortgage Loan must be current as to payments of principal, interest, taxes and insurance at the time of purchase by the Servicer.

The Lender shall use the Lender Portal to register or reserve each Mortgage Loan. The Mortgage File shall be submitted in the order described in the applicable Mortgage File Checklist of the Lender Guide. The Lender hereby warrants that all

copies submitted to the Servicer, the Administrator or the Authority will be true and accurate copies of the respective original documents and instruments.

(b) Prior to the delivery of the Mortgage File to the Servicer in connection with the purchase of a Mortgage Loan, the Lender shall record or file for recording an Assignment of Mortgage Note and Mortgage for the related Mortgage Loan in all offices necessary to perfect the assignment of the Mortgage to the Servicer under the laws of the State. All notices to insurers or Mortgagors under any insurance policies maintained with respect to a Mortgage Loan for the assignment to the Servicer of the servicing of such Mortgage Loan shall be given by the Lender prior to purchase by the Servicer. Immediately upon Purchase, written notice shall be given by the Lender to the Mortgagor that servicing has been assigned to the Servicer and that future payments on the Mortgage Loan shall be made to the Servicer. The Lender shall also provide to the Servicer, the Administrator or the Authority such other reports or information regarding the Mortgage Loan being sold by such Lender as may be reasonably requested by either of them.

(c) The Lender shall pay all costs of preparing and furnishing the Mortgage File to the Servicer and the Compliance Package to the Administrator and shall pay the Transfer Fee, Tax Service Fee and the Compliance Review Fee to the Servicer or the Administrator, as applicable. The Lender shall service each Mortgage Loan originated by it from the Closing Date to the Purchase Date for such Mortgage Loan, which servicing shall include processing, posting payments and paying taxes and insurance with respect thereto. The Lender shall be obligated to pay any fees or penalties associated with late payment of taxes and/or insurance that were due with respect to a Mortgage Loan during the period prior to the Servicer's purchase thereof. The Mortgage File shall be reviewed by the Servicer pursuant to procedures established by the Servicer prior to the Purchase Date. Any Mortgage Loan with respect to which the Compliance Package or the Mortgage File is deemed to be defective will be returned to the Lender by the Servicer. To be purchased, such defective Mortgage Loan must be resubmitted in accordance with the procedures of this Section; *provided, however*, that the Servicer in its discretion may hold such documents pending curative action. Any Mortgage File held by the Servicer for more than thirty (30) days without curative action having been taken by the Lender shall be returned to the Lender. Neither the examination nor the acceptance of a Mortgage File by the Servicer or the related Compliance Package by the Administrator, shall constitute a waiver of any warranty, representation or covenant by the Lender or the Mortgagor with respect to the related Mortgage Loan. Any review or approval by the Servicer or the Administrator of any Mortgage Loan, or the compliance information in connection therewith, shall not relieve the Lender of responsibility or liability for the performance or nonperformance of its obligations hereunder.

Section 10. Defective Mortgage Loans and Repurchase of Mortgage Loans. Each Lender agrees to repurchase any defective Mortgage Loan from the Servicer in accordance with the provisions of the Participating Lender Agreement and any other applicable Program Document.

Section 11. Review of Lender's Performance. The Authority and the Servicer shall each have the right to review the performance of the Lender, and the Authority's review may include the reports and recommendations of the Servicer and the Administrator and such other evidence as may be presented to the Authority regarding the Lender, to determine if the Lender is performing in accordance with the standards required by this Agreement and any other Program Document.

If the Authority or the Servicer determines that the Lender is not performing in accordance with such standards, the Authority or the Servicer shall notify the Lender of any such deficiency, and if such deficiency is sufficient to warrant termination of the Lender by the Authority or the Servicer, then the Authority or the Servicer, as applicable, shall notify the Lender that the services of the Lender are being terminated and the date on which such termination shall be effective. Any notice so provided to a Lender by the Authority or the Servicer shall be provided at the same time to the Servicer or the Authority, respectively.

Section 12. Lender Not to Resign. The Lender shall not have the right to resign from the obligations and duties imposed on it under the Program Documents. Except as permitted by Section 4(l), no Lender shall have the right or privilege to assign or transfer its rights and duties hereunder without the consent of the Authority and the Servicer.

Section 13. Involuntary Termination of Lender. The Authority may terminate this Agreement with respect to the Lender upon the happening of any one or more of the following events:

(a) Any representation, warranty or covenant of the Lender to the Authority under this Agreement or to the Servicer under the Participating Lender Agreement shall be false in any material respect;

(b) Failure of the Lender to comply in all respects with its obligations under this Agreement and/or the Participating Lender Agreement or any other Program Document;

(c) Failure of the Lender to duly observe or perform in any material respect any other covenant, condition, or agreement herein to be observed or performed by the Lender other than as referred to in Sections 13(a) or (b), for a period of thirty (30) days after a written notice to the Lender from either the Authority or the Servicer, specifying such failure and requesting that it be remedied; *provided, however*, that if the failure stated in such 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 Lender within the applicable period and diligently pursued until fully corrected; *provided further*, that if the failure cannot be corrected within such period, the Lender may be terminated pursuant to this Section 13;

(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 Lender or substantially all of its properties, or for the winding-up or liquidation of its affairs, if such decree or order shall have remained in force undischarged or unstayed for a period of sixty (60) days;

(e) Consent by the Lender 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 Lender or substantially all of its properties;

(f) Admission in writing by the Lender 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; or

(g) Failure by the Lender to repurchase a Non-Qualifying Mortgage Loan purchased by the Servicer pursuant to the Participating Lender Agreement or any other Program Document or pursuant to any prior program agreement offered by the Authority; or failure to return Down Payment Assistance on a closed Mortgage Loan hereunder that is not purchased by the Servicer or pooled into a GNMA Certificate.

If any of the events specified in (d), (e), or (f) shall occur, the Lender shall provide written notice of such occurrence to the Authority immediately upon the happening of such event (and in no event more than two (2) Business Days after such event).

Section 14. Lender'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 Lender for its failure to duly observe or perform in any material respect any covenant, condition, or agreement to be observed or performed by the Lender, if such failure on the part of the Lender is directly caused by the failure of the Servicer, the Administrator or the Authority to duly observe or perform in any material respect any covenant, condition, or agreement to be observed or performed by the Servicer or the Authority.

Section 15. Access to Lender's Records. The Authority and its respective agents may from time to time request a Lender to allow the inspection of any of the Lender's books and records pertaining to the Program and the Lender shall allow such inspections and access to such books and records at reasonable times during the Lender's normal business hours and upon reasonable terms.

Section 16. Amendments and Revisions. This Agreement is subject to amendment and revision with prior notice to the Lenders. No such amendment or revision shall adversely affect any Mortgage Loan for which a Commitment has been previously made.

Section 17. Governing Law. This Agreement shall be governed by and construed in accordance with the Laws of the State, without regard to conflict of law principles, and the obligations, rights, and remedies of the parties hereunder shall be determined in accordance with such Laws.

Section 18. Notices. All notices, certificates, or other communications hereunder shall be deemed given when delivered or five (5) Business Days after mailing by certified or registered mail, postage prepaid, return receipt requested, addressed to the appropriate Notice Address. The Authority or the Lender may, by notice given hereunder, designate any further or different address to which subsequent notices, certificates, and other communications shall be sent.

Section 19. Severability. If one or more provisions of this Agreement, or the applicability of any such provision or provisions under any set of circumstances, shall be determined to be invalid or ineffective for any reason, such determination shall not affect the validity and enforceability of the remaining provisions of this Agreement or the applicability of the provisions found to be invalid or ineffective for a specific set of circumstances to other circumstances.

Section 20. Further Assurances and Corrective Instruments. The Lender 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 21. Term of Agreement. This Agreement shall continue in full force and effect until the Authority provides written notice to the Lender that the Program is terminated. At such time the Lenders shall cease originating Mortgage Loans, but this Agreement shall remain in effect for Mortgage Loans for which reservations have been made.

Section 22. No Rights Conferred on Others. Nothing in this Agreement shall confer any right upon any persons other than the Authority and the Lender.

Section 23. 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 Authority shall not be held liable for any expenses incurred by the Lender under the Program. The Authority shall not be liable to the Lender, or any other person, 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 24. 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 for the taking of any action, or for refraining to take any action, pursuant to this Agreement, or for errors in judgment.

Section 25. Survival of Obligations and Covenants. Notwithstanding anything to the contrary herein, the expiration of this Agreement or the termination or resignation of

any Lender under this Agreement shall not affect any obligations of such Lender under this Agreement, including, without limitation, obligations under Section 6(c). The representations, warranties, and covenants of Lender under Sections 4 and 5 shall continue without regard to any termination of Lender hereunder. Any indemnities in this Agreement shall survive the termination of a Lender hereunder.

Section 26. 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 27. Attorney Fees. In the event the Lender should fail to materially perform its obligations under any of the provisions of this Agreement or any other Program Document, and the Authority should employ attorneys or incur other expenses for the enforcement of performance or observance of any material obligation or agreement on the part of the Lender herein or therein contained, the Lender agrees that to the extent permitted by law they will pay or reimburse the Authority, on demand, the reasonable fee of such attorneys and such other reasonable expenses incurred in connection with the Lender's material failure to perform its obligations hereunder.

Section 28. Counterparts. This Agreement may be executed in counterparts by the parties hereto, and each such counterpart shall be considered an original and all such counterparts shall constitute one and the same instrument.

Section 29. Limited Liability. All monetary obligations of ADOH and/or the Authority incurred hereunder, and any remedies arising against ADOH and/or the Authority by reason of its default, shall be payable solely out of, and all liability of ADOH and/or the Authority shall be limited to, revenues and receipts derived from the transactions contemplated and performed pursuant to the Program Documents.

Section 30. Cancellation of Contracts. As required by the provisions of Arizona Revised Statutes Section 38-511, as amended, notice is hereby given that the State, its political subdivisions or any department or agency of either, may cancel any contract, without penalty or further obligation, made by the State, its political subdivision or any departments or agencies of either if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the State, its political subdivisions or any departments or agencies of either is, at any time while the contract or any extension of the contract is in effect, an employee of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract.

THIS AGREEMENT has been executed as of _____, 201_ and is signed by an authorized representative of the Authority and an authorized representative of the Lender, respectively.

ARIZONA HOUSING FINANCE
AUTHORITY

Signature:

Name [Printed]:

Title:

Lender Name [Printed]:

Designated Representative Signature:

Designated Representative Name

[Printed]:

Title of Designated Representative:

Email:

EXHIBIT A DEFINITIONS

“Administrator” means Housing and Development Services, Inc. d/b/a eHousingPlus.

“Agreement” means this Mortgage Origination Agreement dated as of February 1, 2013, entered into by and among the Lender and the Authority, and all exhibits, amendments, or supplements hereto.

“Assignment of Mortgage Note and Mortgage” means the form acceptable to the Servicer completed and executed by the Lender, in recordable form, and pursuant to which a Lender assigns and delivers the related Mortgage and endorses the Mortgage Note to the Servicer in connection with the purchase of the related Mortgage Loan by the Servicer.

“Business Day” means any day other than (i) a Saturday or Sunday (ii) a day on which banking institutions are closed in New York, New York, Arizona, or the state or states in which the Servicer’s operation are located, or (iii) a day on which the New York Stock Exchange is closed.

“Buydown” means any reduction in the Mortgagor’s monthly Mortgage Loan payment required under the Mortgage Note by reason of the deposit of funds into an escrow or pledged account to be used to supplement the Mortgagor’s monthly payment. Buydowns shall only be permitted in connection with FHA Mortgage Loans unless otherwise permitted by the Authority.

“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 Lender pursuant to Section 7 of this Agreement.

“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 Lender, in the form customarily used by the Lender in its owner occupied home lending practice or in a form customarily used in the mortgage lending industry and approved by the Servicer, to a particular Eligible Borrower to finance the purchase of a particular Residence with a Mortgage Loan, which commitment shall specify a stated expiration date, a stated principal amount, and the applicable Mortgage Loan Rate.

“Commitment Expiration Date” means the final date that the Mortgage Loan may be purchased by the Servicer (notwithstanding any applicable extension), which period is initially seventy (70) days from loan reservation (or such other period specified in the Program Guidelines).

“Compliance Package” means the documents as may be required by the Administrator with respect to a Mortgage Loan submitted to the Administrator for compliance review.

“Compliance Review Fee” means the non-refundable fee in the amount set forth in the Program Guidelines (initially \$225.00) payable by the Lender to the Administrator for the review of a Compliance Package.

“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, a VA Mortgage Loan, or a USDA-RHS Mortgage Loan, in each case satisfying the requirements of Fannie Mae or Freddie Mac, as applicable.

“de minimus PUD” means: (i) a planned unit development that meets the definition of a “de minimus PUD,” as defined in the Fannie Mae Conventional Home Mortgage Selling Contract Supplement or any applicable Freddie Mac document; or (ii) a planned unit development (a) whose organizational or other relevant documents provide that the lien for any homeowner assessment or charge is subordinate to the lien of any purchase money mortgage, and (b) the maximum permissible annual homeowner assessments and/or charges with respect to the property being financed, as of the Closing Date of the Mortgage Loan, is no greater than the lesser of \$600.00 or 1% of the Sales Price.

“Discount Fee” means the discount fee, if any, payable by the Mortgagor or the Seller, initially in an amount equal to 1% of the original principal amount of each Mortgage Loan (subject to change by the Authority or such other amount specified in the Program Guidelines).

“DPA Grant” means a non repayable grant in an amount initially equal to the 4% of the original principal amount of each Mortgage Loan, as specified by the Authority from time to time, to assist in the payment of an Eligible Borrower’s down payment and closing costs related to such Mortgage Loan or reduction in principal of such 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 Lenders by the Servicer (promptly following the Servicer’s receipt of such information from the Authority); (ii) the Purchase Price of the related Residence does not exceed the Maximum Purchase Price, (iii) 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; (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; (v) who has not previously obtained a Commitment for a Mortgage Loan under the Program; (vi) who has a representative FICO (Fair Isaac Corporation) score of 640 or greater (660 for manufactured housing); (vii) who has provided a completion certificate (in a form acceptable to the Authority) from a homebuyer education program permitted under the Program; and (viii) whose debt-to-income ratios does not exceed 45% (ratio of monthly Mortgage Loan payment, including real estate taxes and insurance, plus other long-term debt payment of Mortgagor to gross monthly income).

“Family Income” means, with respect to a Mortgagor, the “gross monthly income,” multiplied by twelve (12), of such Mortgagor and of any other Mortgagor who is expected to live in the Residence being financed and is an obligor on the Mortgage Note, all as determined in accordance with such Mortgagor’s Program Affidavit. For purposes of this definition, “gross monthly income” means the income used by the Lender’s underwriter (under applicable underwriting guidelines) to qualify the Mortgagor(s) for repayment of the Mortgage Loan.

“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; or
- (c) FHA Section 234(c), Condominium Ownership; or
- (d) FHA Section 203(h), Disaster Victims; or
- (e) such other FHA insurance program or programs approved for the Program by the Authority and the Servicer.

“FHA Mortgage Loan” means a Mortgage Loan that is insured by the FHA.

“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 or any successor agency, corporation, or other instrumentality of the government of the United States of America.

“GNMA Certificate” means a fully-modified, mortgage-backed certificate (whether issued as a “GNMA I” or a “GNMA II” Certificate) bearing interest at the applicable Pass-Through Rate, issued by the Servicer, registered in the name of the Trustee, guaranteed as to timely payment of principal and interest by GNMA pursuant to Section 306(g) of Title III of the National Housing Act of 1934, as amended, and the regulations promulgated thereunder, maturing no later than December 1, 2041, and backed by FHA Insured Mortgage Loans or VA Guaranteed Mortgage Loans or USDA-RHS Mortgage Loans made by a Lender.

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

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

“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 thereof.

“Lender” means the mortgage lending institution executing this Agreement (and a Participating Lender Agreement with the Servicer) and any other applicable Program Document, which agrees to originate Mortgage Loans hereunder and thereunder and sell such Mortgage Loans and the servicing in connection therewith to the Servicer.

“Lender Guide” means the guide prepared by the Servicer for the Program for the origination and delivery of Mortgage Loans to be purchased by the Servicer and the eligibility, credit and security underwriting standards applicable thereto, and for servicing of Mortgage Loans included in a Pool for a Certificate, as may be amended from time to time by the Servicer.

“Lender Portal” means the web-based Mortgage Loan reservation and compliance system administered by the Administrator and found at the website set forth in the Program Guidelines.

“Maximum Purchase Price” means the applicable amounts specified in the Program Guidelines for Non-Targeted Areas and Targeted Areas.

“Maximum Family Income” means the applicable maximum annual Family Income amounts which are set forth in the Program Guidelines. Such amounts shall be subject to adjustment at the discretion of the Authority.

“Mortgage” means the instrument, including the 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, USDA-RHS or GNMA, as applicable.

“Mortgage File” means such documents as are required by the Servicer with respect to a particular Mortgage Loan submitted to the Servicer for purchase.

“Mortgage Loan” means a qualified first lien mortgage loan originated by a Lender under the Program to an Eligible Borrower evidenced by a Mortgage Note and secured by a related Mortgage on a Residence located in the Program Area, satisfying the requirements of this Agreement and any other Program Document. Down Payment Assistance grants are gifts and are not included in the principal amount of a Mortgage Loan.

“Mortgage Loan Purchase Price” means the price to be paid by the Servicer to a Lender for a Mortgage Loan (initially, 101.50% with respect to a FHA Mortgage Loan or USDA-RHS Mortgage Loan, and 101.00% with respect to a VA Mortgage Loan), which shall be the percentage of the unpaid principal balance of such Mortgage Loan as set forth in the Program Guidelines, plus accrued interest to the date of purchase.

“Mortgage Loan Rate” means the applicable interest rate on a Mortgage Loan.

“Mortgage Note” means the promissory note evidencing the obligation to repay a Mortgage Loan, which shall be in the form acceptable to FHA, VA, USDA-RHS, depending on whether the Mortgage Note evidences an FHA Mortgage Loan, a VA Mortgage Loan or a USDA-RHS Mortgage Loan, respectively, with such additions or modifications as may be required hereunder as approved by the Authority and the Servicer.

“Mortgagor” means any person who has a Present Ownership Interest in the Residence and is the obligor(s) on a Mortgage Note.

“Non-Qualifying Mortgage Loan” means any Mortgage Loan which does not conform to the Program, the Program Documents, the GNMA Guide and/or the GNMA Guaranty Agreement, including, but not limited to, the following examples:

(a) The Lender fails to deliver to the Servicer all documents of the Mortgage File (described in the Lender Guide) on a timely basis, or the Servicer determines that such documentation for Mortgage Loans do not conform to the requirements of the Program;

(b) GNMA or the Servicer determines that the Mortgage Loan is not of acceptable quality or is not eligible for sale under the Program, or the Program Documents or the GNMA Guide.

"Notice Address" means:

As to the Authority: Arizona Housing Finance Authority
1110 West Washington, Suite 310
Phoenix, AZ 85007
Attention: Carl Kinney
Telephone: (602) 771-1091
Fax: (602) 771-1002

As to the Servicer: U.S. Bank National Association
17500 Rockside Road
Bedford, OH 44146-2099
Attention: Sheryl Krocek/Elmer Helbig
Telephone: (216) 475-7719/(216) 475-7685
Fax: (216) 475-8619
E-mail: sheryl.krocek@usbank.com
elmer.helbig@usbank.com

As to the Lender: At the address provided to the Authority or the Servicer by the Lender.

"Origination Fee" means a fee in an amount equal to 1.00% of the unpaid principal amount of a Mortgage Loan (or such other amount specified in the Program Guidelines), which amount may be collected and retained by the Lender in connection with each Mortgage Loan originated hereunder.

"Participating Lender Agreement" means the agreement entered into between the Servicer and the Lender as to the terms and conditions under which the Servicer will purchase a Mortgage Loan from the Lender.

"Pass-Through Rate" means the interest rate per annum accruing on a GNMA Certificate, which will equal the Mortgage Loan Rate of the Mortgage Loans backing the GNMA Certificate less the applicable servicing fee and the applicable guaranty 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, USDA-RHS, Fannie Mae or Freddie Mac, as applicable.

"Planned Unit Development" means a real estate development of separately owned lots, other than a de minimus PUD, with: (i) contiguous or noncontiguous areas or facilities normally owned by an owners association in which the owners of the lots have a stock or membership interest; (ii) title to the real estate under the dwelling units being held by the individual lot owners and not by the owners association; (iii) the association having title to and responsibility for the administering of the common areas, and levying monthly charges against the lot owners for common areas expenses; and

(iv) membership in the owners association not being severed from the ownership of an individual unit.

“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.

“Principal Residence” means a Residence (or the unit in a duplex occupied by the Mortgagor) which can be reasonably expected to become 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 which 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 (including the provision of childcare services on a regular basis for consideration). Any use of a home which 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 is not considered as a use in a trade or business.

“Program” means ADOH’s “Home Plus” Mortgage Loan Program, administered by the Authority on behalf of ADOH.

“Program Affidavit” means an affidavit or certification in the form attached to the Program Guidelines, which is to be executed by the Mortgagor and the Lender in connection with each Mortgage Loan purchased by the Servicer hereunder.

“Program Area” means the State of Arizona, excluding the Counties of Maricopa and Pima and the cities and towns located therein (including the exclusion of the cities of Phoenix, Arizona, and Tucson, Arizona).

“Program Documents” means this Agreement, the Program Guidelines, the Participating Lender Agreement, the Lender Guide, the Program Administration Agreement and any other document, instrument, certificate or other writing relating to the Program.

“Program Guidelines” means the guidelines established by the Authority, the Servicer and the Administrator for the origination of Mortgage Loans to be reviewed by the Administrator and purchased by the Servicer and the eligibility, credit, and security underwriting standards applicable thereto, as may be amended from time to time.

“Purchase” means the purchase of a Mortgage Loan by the Servicer from a Lender on a Purchase Date pursuant to Section 9 of this Agreement.

“Purchase Date” means the date of any Purchase of a Mortgage Loan by the Servicer.

“Purchase Price” means the cost to a Mortgagor of acquiring a Residence from the Seller as a completed residential unit indicated in the contract of sale entered into between the Mortgagor(s) and the Seller(s).

“Qualified Insurer” means any insurance company that is approved by FHA, VA, USDA-RHS, as applicable, to provide insurance on single family residences in the State.

“Residence” means real property and improvements permanently affixed thereon (including property constituting a “fixture” under state law but not any personal property and not a mobile home) (i) that is located within the Eligible Loan Area; (ii) that consists of a single family detached structure, a single family attached structure (townhouse), a single unit in a Condominium Development, Planned Unit Development, or de minimis PUD, a single unit in a duplex, or an entire duplex provided that one of the units will be occupied by the Mortgagor; and (iii) the Purchase Price of which does not exceed the Maximum Purchase Price.

“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.

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

“Servicer” means U.S. Bank National Association, or any successor to its duties hereunder, and any additional Servicer appointed under Section 2 of this Agreement.

“State” means the State of Arizona.

“Tax Service Fee” means the nonrefundable tax service fee in the amount set forth in the Program Guidelines (initially \$85.00) payable by each Lender to the Servicer upon purchase of a Mortgage Loan.

“Title Policy” means a mortgagee guaranty title insurance policy with respect to a Mortgage Loan in form approved by the State Board 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 Lender and its successors and assigns.

“Transfer Fee” means the nonrefundable fee in the amount set forth in the Program Guidelines (initially \$150.00) payable by the Lender to the Servicer upon purchase of a Mortgage Loan.

“USDA-RHS” means the Rural Housing Service of the United States Department of Agriculture, its successors and assigns.

“USDA-RHS Guaranty” means a guaranty of a Mortgage Loan pursuant to the USDA-RHS Single Family Housing Guaranteed Loan Program.

“USDA-RHS Mortgage Loan” means a Mortgage Loan guaranteed by the USDA-RHS.

“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.

EXHIBIT B
PROGRAM GUIDELINES