

**ORANGE COUNTY HOUSING FINANCE AUTHORITY**

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**MORTGAGE ORIGINATION AGREEMENT**  
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**Single Family Mortgage**  
**GNMA and Fannie Mae Mortgage-Backed Securities Program**

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Dated as of March 1, 1997

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## **MORTGAGE ORIGINATION AGREEMENT**

**THIS MORTGAGE ORIGINATION AGREEMENT** (the "Agreement"), dated as of the 1st day of March, 1997, among the **PARTICIPANTS** executing this Agreement from time to time (each, a "Participant"); the mortgage servicing institution which has accepted the rights and obligations of the Master Servicer hereunder with respect to a series of Bonds (the "Master Servicer"); the banking institution duly organized, existing and authorized to accept and execute trusts of the character set forth herein and in the Trust Indenture (hereafter defined) executed in connection with a series of Bonds, as trustee (the "Trustee"); and the **ORANGE COUNTY HOUSING FINANCE AUTHORITY** (the "Issuer"), a public body corporate and politic.

### **WITNESSETH:**

**WHEREAS**, the Florida Housing Finance Authority Law, being Part IV of Chapter 159, Florida Statutes, as amended, provides for the creation of a housing finance authority in each county in the State of Florida and cooperation between such authorities for the purpose of alleviating a shortage of housing available at prices or rentals which persons or families of low, moderate or middle income can afford; and

**WHEREAS**, in accordance with the provisions of the Act, the Board of County Commissioners of Orange County enacted an ordinance determining that there is a shortage of affordable housing and capital for investment in such housing and duly creating the Issuer to alleviate such shortages; and

**WHEREAS**, pursuant to the Act, the Issuer is authorized to carry out the public purposes described therein by issuing its revenue bonds to acquire home mortgages and by pledging such home mortgages as security for payment of the principal of and interest on such revenue bonds, and by entering into any such contracts and other instruments made in connection therewith; and

**WHEREAS**, for the purpose of alleviating the shortage of affordable residential housing facilities and capital for investment in such facilities for low, moderate or middle income families or persons within the jurisdiction of the Issuer, which constitutes a valid public purpose for the issuance of revenue bonds under the Act, the Issuer has developed its Single Family Mortgage GNMA and Fannie Mae Mortgage-Backed Securities Program (the "Program") and may approve, from time to time, the issuance of its Single Family Mortgage Revenue Bonds (the "Bonds"), the proceeds of which will be made available for the purchase from the Master Servicer of mortgage-backed securities of the Government National Mortgage Association ("GNMA") evidencing the guarantee by GNMA of timely payment of monthly principal and interest of qualifying FHA Insured, VA Guaranteed or USDA/RD Guaranteed Mortgage Loans, and mortgage-backed securities of the Federal National Mortgage Association ("Fannie Mae") evidencing the guarantee by Fannie Mae of monthly principal and interest of qualifying Conventional Mortgage Loans, which FHA-Insured, VA Guaranteed, USDA/RD Guaranteed or Conventional Mortgage Loans are made to finance residential facilities within the jurisdiction of the Issuer intended for use as the permanent place of residence by families or persons of low, moderate or middle income (the "Mortgage Loans"); and

**WHEREAS**, the Issuer may, from time to time, enter into interlocal agreements with other political subdivisions of the State of Florida to enable the proceeds of a series of Bonds to be made available to finance residential facilities located within the jurisdictions of such additional political subdivisions; and

**WHEREAS**, the Mortgage Loans are to be originated pursuant to certain Mortgage Origination Agreements (including this Agreement) by and among certain lending institutions (the "Participants"), the Master Servicer, the Trustee and the Issuer and Offers to Originate Single Family Mortgage Loans and are to be serviced by the Master Servicer pursuant to a Program Administration and Servicing Agreement (the "Program Administration and Servicing Agreement") by and between the Issuer and the Master Servicer; and

**WHEREAS**, the Bonds of a series will be secured under a Trust Indenture (each, an "Indenture") between the Issuer and the Trustee with respect to such series of Bonds; and

**WHEREAS**, the Trustee under each series of Bonds will serve as Trustee under the related Indenture pursuant to which certain payments made in respect of the Mortgage Loans applicable to a series of Bonds purchased by the related Master Servicer will secure payment of such Bonds by a pledge and assignment of the related GNMA Certificates and Fannie Mae Securities (as such terms are more specifically defined in Article I hereof);

**NOW, THEREFORE**, in consideration of the premises and of the mutual agreements herein contained, each Participant, the Master Servicer, the Trustee and the Issuer severally agree as follows:

## **ARTICLE I.**

### **DEFINITIONS**

All terms used in capitalized form and not otherwise defined herein shall have the respective meanings provided in the Indenture.

The following words and phrases shall have the following meanings:

*"Acquisition Price"* means the cost of acquiring a Single Family Residence from the seller as a completed residential unit, as more fully described in Section 4.05 hereof.

*"Act"* means collectively the Florida Housing Finance Authority Law, Chapter 159, Part IV, Florida Statutes, as amended; Ordinance No. 78-18 of the Board of County Commissioners of Orange County, Florida, enacted October 31, 1978; and other provisions of applicable law.

*"Application Start Date"* means the date on which Participants may commence accepting applications for Mortgage Loans under the Program, which date shall be set forth in the Notice of Acceptance.

*"Assignment of Mortgage"* means the instrument completed and executed by a Participant, in recordable form, and pursuant to which a Participant assigns and delivers the

related Mortgage and endorses the Mortgage Note to Master Servicer in connection with the purchase of the related Mortgage Loan by Master Servicer.

"*Bond Delivery Date*" means the date on which the Bonds of a series are delivered to the original purchasers thereof.

"*Bondholder*" or "*Owner of Bonds*" means the registered owner of any Bond.

"*Bonds*" means the Issuer's Single Family Mortgage Revenue Bonds (GNMA and Fannie Mae Mortgage-Backed Securities Program), issued from time to time to finance the Program.

"*Builder Reservations*" means the amount of funds reserved by a Participant from its Program Allocation for builders, subject to the provisions of Section 4.01 hereof and the Notice of Acceptance.

"*Business Day*" means any day other than (i) a day that the Master Servicer is closed and (ii) a Saturday, Sunday, legal holiday or a day on which banking institutions in the State of Florida, or the state in which the principal office of the Master Servicer is located, are authorized by law to close or a day on which the New York Stock Exchange is closed.

"*Certificate Acquisition Period*" means, with respect to each series of Bonds, the period during which the Trustee shall purchase GNMA Certificates and Fannie Mae Securities from the Master Servicer as set forth in the related Indenture and as such period may be extended in accordance with the related Indenture.

"*Closing*" means any closing of a Mortgage Loan by a Participant for a Mortgagor.

"*Code*" means the Internal Revenue Code of 1986, as amended, and all subsequent tax legislation duly enacted by the Congress of the United States. Each reference to a section of the Code herein shall be deemed to include the United States Treasury Regulations proposed or in effect with respect thereto and applicable to the Bonds or the use of the proceeds thereof (including regulations first promulgated under the Internal Revenue Code of 1954) and shall also include revenue procedures, revenue rulings, or other published determinations of the Treasury Department or Internal Revenue Service of the United States.

"*Commitment*" means a binding written Commitment by a Participant to originate a Mortgage Loan to an eligible borrower with respect to a specific Single Family Residence in accordance with this Agreement.

"*Commitment Fee*" means the fee submitted by each Participant to the Issuer in connection with its Offer to Originate in an amount set forth in the Offer to Originate, which amount is not refundable except as provided herein.

"*Compliance Commitment File*" means the documents listed in the Lender's Guide pertaining to a particular Mortgage Loan.

"*Condominium Development*" or "*Condominium*" 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 Loans*" means a Mortgage Loan other than an FHA/VA/USDA/RD Mortgage Loan which meets the requirements of Fannie Mae.

"*Counties*" means, with respect to a series of Bonds, the counties within the State which have entered into interlocal agreements with the Issuer in order to cause proceeds of such series of Bonds to be made available to finance residential facilities within the jurisdiction of such county.

"*Current Annual Family Income*" means the total current annualized income. For purposes of this definition, "total current annualized income" is gross monthly income multiplied by 12. Gross monthly income is the sum of monthly gross pay; any additional income from overtime, part-time employment, bonuses, income from self-employment, dividends, interest, royalties, pensions, VA compensation and net rental income, 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, continuation of which is probable based on foreseeable economic circumstances based upon the Mortgagor's affidavit to such effect), all as computed at the time of application for a Mortgage Loan, and confirmed at the time of Closing. Information with respect to gross monthly income may be obtained from the applicable certificates and affidavits provided in the Lender's Guide (collectively, the "Loan Submissions") executed during the four-month period ending on the date of the Closing of the Mortgage Loan, provided that any gross monthly income not included in the Loan Submissions must be included in determining gross monthly income. Thus, for example, if the Mortgagor does not include alimony on the Loan Submissions, the Participant, in determining gross monthly income, must determine the amount of alimony and add that amount to the amount shown on the Loan Submissions. The applicable Loan Submissions include (1) Mortgagor's Income Certification included in the Lender's Guide, (2) lines 23D and 23E on the Application for VA Guaranty or for HUD/FHA Insured Mortgage (VA Form 26-1802a, HUD 92900, Jan. 1982), and (3) the total line from the Gross Monthly Income section of FHLMC Residential Loan Application form (FHLMC 65 Rev. 10/86).

"*Discount*" means a percentage of each Mortgage Loan to be retained by the Participant, which percentage shall be set forth in the Notice of Acceptance for each series of Bonds.

"*Dwelling Unit*" means a residential unit that includes cooking, sleeping and individual bathroom facilities.

"*Eligible Loan Area*" means, with respect to each series of Bonds, the area within the territorial limits of the Counties.

"*Eligible Persons and Families*" means a person or persons: (i) whose Current Annual Family Income does not exceed the Maximum Current Annual Family Income; (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 (or, with respect to Qualified Rehabilitation Loans, within 60 days of the completion of

rehabilitation); (iii) who is a First Time Homebuyer (except with respect to a principal Residence located in a Targeted Area or a Qualified Rehabilitation Loan); and (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 Single Family Residence to be financed with such Mortgage Loan at any time prior to the execution of the Mortgage, other than a Qualified Rehabilitation Loan, or 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.

"*Fannie Mae*" or "*FNMA*" means the Federal National Mortgage Association, a corporation organized and existing under the laws of the United States or any successor thereto.

"*Fannie Mae Guaranty Fee*" means the annual fee equal to .25% of the outstanding balance of the Conventional Mortgage Loans in a FNMA pool payable monthly to Fannie Mae by the Master Servicer in connection with the issuance of a Fannie Mae Security or such other annual fee for a series of Bonds as shall be set forth in the Notice of Acceptance for such series of Bonds.

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

"*Fannie Mae Security*" means a single pool, guaranteed mortgage pass-through Fannie Mae Mortgage-Backed Security, providing for the regularly scheduled monthly payments and any prepayments thereunder with the final regularly scheduled payment thereunder to be made not later than the final maturity date of the related series of Bonds, bearing interest at the related Pass-Through Rate, issued by Fannie Mae in book entry form, recorded in the name of the Trustee or its nominee for the benefit of the Bondholders of the related series of Bonds as part of the Trust Estate, guaranteed as to timely payment of principal and interest by Fannie Mae and backed by Conventional Mortgage Loans in the related mortgage pool, with a latest loan maturity date not later than the date set forth in the related Notice of Acceptance, which date shall be not less than 60 days before final Bond maturity for such related series of Bonds.

"*FHA*" means the Federal Housing Administration of the United States Department of Housing and Urban Development, or other successor to its functions.

"*FHA Insurance*" means FHA mortgage insurance issued under one of the following FHA Insurance programs pursuant to the National Housing Act:

- (a) HA §203(b), Home Unsubsidized (including 223(e) declining area loans);
- (b) HA §234(c), Condominiums;
- (c) HA §203(b)(2), Veteran's Status;
- (d) FHA §203(k), provided that such loan meets all of the applicable requirements of FHA and GNMA; and provided further that no FHA Section 203(k) loan may be originated without the prior written consent of the Master Servicer;

(e) FHA §203(h); or

(f) any other FHA mortgage insurance program approved by the Issuer and the Master Servicer.

"*FHA Insured*" means insured under FHA Insurance.

"*FHA/VA/USDA/RD Loans*" means Mortgage Loans which are FHA Insured, VA Guaranteed or USDA/RD Guaranteed.

"*First Time Homebuyer*" means a Mortgagor who has not had an ownership interest in a principal residence at any time during the three-year period ending on the date the Mortgage is executed, as more fully described in Section 4.06 hereof.

"*GNMA*" means the Government National Mortgage Association, a wholly owned corporate instrumentality of the United States within the Department of Housing and Urban Development. Its powers are prescribed generally by Title III of the National Housing Act, as amended (12 U.S.C., §1716 et seq.).

"*GNMA Certificate*" means the fully modified GNMA I or GNMA II Mortgage Pass-Through Certificate (or the electronically transmitted confirmation provided for hereinafter), issued by the Master Servicer in exchange for Mortgage Loans and in the Form of Appendix 39 "Single Family Mortgage-Backed Certificate" of the GNMA Guide, as defined herein, purchased by the Trustee on behalf of the Issuer and registered in the name of the Trustee or its nominee and 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 and backed by FHA Insured Mortgage Loans, VA Guaranteed Mortgage Loans or USDA/RD Guaranteed Mortgage Loans made by the Participants. In the event GNMA so requires, pursuant to GNMA's book entry system, in lieu of the aforesaid certificate, the confirmation of GNMA's guaranty obligation shall be transmitted to the Trustee, or its nominee, electronically.

"*Guide*" or "*GNMA Guide*" means the GNMA Mortgage-Backed Securities Guide or Guides, then in effect on the date of its application, if any, hereunder.

"*Indenture*" means, with respect to a series of Bonds, the Trust Indenture between the Issuer and the related Trustee pursuant to which such series of Bonds is issued and secured, and all amendments or supplements thereto.

"*Invitation to Participate*" means the Invitation to Participate in a Program financed by a series of Bonds, which Invitation to Participate is distributed by the Issuer to each Participant (and potential Participants) prior to the issuance of such series of Bonds.

"*Issuer*" means the Orange County Housing Finance Authority.

"*Issuer Special Mortgage Loan*" means a Mortgage Loan that meets the requirements set forth in the Notice of Acceptance for which no Participant has paid a Commitment Fee.

"*Lender's Guide*" means, with respect to a series of Bonds, the guide prepared by the Master Servicer setting forth the guidelines for the delivery of Mortgage Loan documents by the Participant to the Master Servicer and for the origination of such Mortgage Loans.

"*MBS Agreement*" means the Commitment to Guarantee Mortgage-Backed Securities (Form HUD 11704) from GNMA to the Master Servicer.

"*Manufactured Home*" means a structure manufactured in a factory after June 15, 1976 which is delivered to a homesite in more than one section and affixed on a permanent foundation. The dimensions of the completed dwelling shall be not 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 dwellings, and, in the judgment of the Master Servicer, the dwelling must be eligible for 30-year real estate mortgage financing and be eligible for FHA Insurance, VA Guaranty or USDA/RD Guaranty and inclusion in a GNMA Certificate or eligible for inclusion as a Conventional Mortgage Loan in a Fannie Mae Security.

"*Master Servicer*" means, with respect to a series of Bonds, the mortgage servicing institution designated by the Issuer in the Offer to Originate and the Notice of Acceptance, in its capacity as Master Servicer hereunder and under the related Servicing Agreement, or any substitute appointed pursuant to such related Servicing Agreement.

"*Maximum Acquisition Price*" means the maximum purchase price of a Single Family Residence, as announced from time to time by the Issuer, which maximum purchase price shall be based on the "Safe Harbor" average area purchase prices published from time to time by the United States Treasury Department or from surveys or other compilations of acquisition prices that in the opinion of nationally recognized bond counsel represent acceptable methods for determination of such average acquisition prices for purposes of Section 143 of the Code and in compliance with any requirements for the applicable County. Acquisition Price limits are also subject to the applicable FHA/VA/USDA/RD limits for the Counties. The Maximum Acquisition Prices may be adjusted for two-, three- or four- family unit Single Family Residences by applying the following factors to the Maximum Acquisition Price for one-family units:

2-family unit 1.126x  
3-family unit 1.363x  
4-family unit 1.585x

The adjustment factors may be redetermined by the Issuer from time to time in the same manner as provided in this paragraph for redetermination of the Maximum Acquisition Price.

"*Maximum Current Annual Family Income*" means, with respect to Mortgage Loans originated on new and existing Single Family Residences, the applicable limits announced from time to time by the Issuer which amounts shall be based on state and area median income figures published by the United States Department of Housing and Urban Development from time to time.

"*Mortgage*" means the written instrument securing the related Mortgage Loan and encumbering a Single Family Residence, which instrument for FHA-Insured Mortgages, VA

Guaranteed Mortgages or USDA/RD Guaranteed Mortgages shall be the then-effective form required by FHA for FHA Insured Mortgages, the form required by VA for VA Guaranteed Mortgages, and the form required by USDA/RD for USDA/RD Guaranteed Mortgages, as applicable, with appropriate riders, and which instrument for Conventional Mortgage Loans shall be in the form required by Fannie Mae, with appropriate riders.

*"Mortgagee Single Interest Hazard Insurance Policy"* means a mortgagee single interest hazard insurance policy or any similar policy maintained with respect to each Single Family Residence by the Master Servicer.

*"Mortgage File"* means the mortgage documents listed in the Lender's Guide pertaining to a particular Mortgage Loan.

*"Mortgage Loan"* means a mortgage loan at a fixed rate of interest for a loan term of not to exceed 30 years (or such shorter term as shall be provided in a Notice of Acceptance) from the date of the first payment of principal and interest to an Eligible Person or Family evidenced by a Mortgage Note secured by a related first-lien Mortgage on a Single Family Residence located within the Eligible Loan Area and in conformity with the mortgage loan origination standards of FHA, VA and/or USDA/RD and the mortgage loan origination procedures of GNMA or FNMA, as applicable, which the Master Servicer purchases from Participant pursuant to this Agreement and the terms of which comply with this Agreement.

*"Mortgage Note"* means the then-effective form of mortgage note required by FHA for FHA Insured loans, the form required by VA for VA Guaranteed loans, the form required by USDA/RD for USDA/RD Guaranteed Loans and the form required by Fannie Mae for Conventional Mortgage Loans, as applicable, with appropriate riders, executed to evidence the Mortgagor's obligation to repay the Mortgage Loan.

*"Mortgagor"* means any person who has a present ownership interest in a Single Family Residence subject to the related Mortgage and/or executes the Mortgage (but does not include any person who executes only the Mortgage Note as a cosigner or guarantor and who does not have a present ownership interest in the Single Family Residence).

*"Notice Address"* means, unless otherwise designated pursuant to Section 7.05 hereof:

(a) As to the Issuer:

Orange County Housing Finance Authority  
2211 East Hillcrest Street  
Orlando, Florida 32803  
Attention: W.D. Morris, Executive Director

(b) As to the Trustee:

Such address as shall be set forth in the Notice of Acceptance

(c) As to the Master Servicer:

Such address as shall be set forth in the Notice of Acceptance

(d) As to Participant, the address shown on the Offer to Participate.

"*Notice of Acceptance*" means, with respect to each series of Bonds, the form of notice to be given by the Issuer to each Participant for such series of Bonds, with a copy to the related Master Servicer, by which Participants are notified, among other things, of the acceptance of their Offers to Originate, the stated interest rates established for the Program, their Program Allocation, their Targeted Area Allocation, their approved Builder Reservation(s) and the Application Start Date.

"*Offer to Originate*" means, with respect to each series of Bonds, the Offer to Originate Single Family Mortgage Loans and any amendments thereto pursuant to which a Participant offers to originate Mortgage Loans related to such series of Bonds in accordance with the provisions of this Agreement.

"*Origination Fee*" means a fee to be retained by the Participant as partial compensation for originating each Mortgage Loan, payable in the manner provided in Section 4.03 hereof, the amount of which shall be set forth in the Notice of Acceptance for each series of Bonds.

"*Origination Period*" means, with respect to each series of Bonds and subject to Section 4.10 hereof, the period for the Master Servicer's Purchase of Mortgage Loans from the Participants commencing on the related Application Start Date and ending on the date (or dates) set forth in the Notice of Acceptance unless extended as provided in the related Indenture; provided that the Origination Period shall end at least 30 days before the end of the related Certificate Acquisition Period (or such lesser number of days as may be approved by the related Master Servicer).

"*Participant*" means a home mortgage lending institution or entity, other than the Trustee, (i) which is currently participating in the local private home lending market, (ii) which is an FHA-approved mortgagee (with direct endorsement underwriting authority preferred) in good standing, a VA approved lender (with automatic approval authority preferred) and a GNMA approved issuer-servicer in good standing (unless waived by the Master Servicer) and, if Conventional Mortgage Loans to be purchased under the FNMA program are to be originated, a FNMA approved lender in good standing (unless waived by the Master Servicer) acceptable to the PMI Insurer, if applicable, (iii) which can make the representations, warranties and covenants set forth in Section 2.02 hereof and (iv) which has agreed to and will originate Mortgage Loans itself, and not through correspondents or other agencies, pursuant to this Agreement, the Notice of Acceptance and the related Offer to Originate.

"*Participant Special Mortgage Loan*" means a Mortgage Loan that meets one of the requirements set forth in the Notice of Acceptance for which a Participant has paid a Commitment Fee.

"*Participation Fee*" means a fee payable to the Master Servicer by Mortgagor and/or the Builder or seller, in such amount and payable at such times as shall be set forth in the Notice of Acceptance.

"*Planned Unit Development*" or "*PUD*" means a real estate development of separately owned lots, with: (i) contiguous or noncontiguous areas or facilities usually 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 administering 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.

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

"*Pool Purchase Contract*" means the Fannie Mae Pool Purchase Contract between the Master Servicer and Fannie Mae relating to the sale by the Master Servicer of Conventional Mortgage Loans to Fannie Mae and the servicing thereof.

"*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 Issuer's program for the financing of Mortgage Loans through the purchase of GNMA Certificates and Fannie Mae Securities, as contemplated by this Agreement.

"*Program Administration and Servicing Agreement*" means, with respect to each series of Bonds, the Program Administration and Servicing Agreement between the Issuer and the related Master Servicer executed in connection with the issuance of such series of Bonds.

"*Program Allocation*" means, with respect to each Participant participating in a Program financed by a series of Bonds, the aggregate principal amount of Mortgage Loans for Single Family Residences that the Issuer has notified Participant it can originate for sale to the related Master Servicer pursuant to the Participant's Offer to Originate and the Issuer's Notice of Acceptance with respect to such series of Bonds.

"*Program Documents*" shall mean this Agreement, each Program Administration and Servicing Agreement and each Pool Purchase Contract as such documents may be amended or supplemented from time to time.

"*Purchase*" means any purchase by the Master Servicer of a Mortgage Loan from a Participant pursuant to Section 4.09 of this Agreement.

"*Purchase Date*" means the weekly date on which a Purchase of a Mortgage Loan by the Master Servicer occurs, which dates shall be established by the Master Servicer during the Origination Period, as set forth in the Lender's Guide.

"*Qualified Appraiser*" means an individual or firm that is approved by FHA, VA and/or USDA/RD or acceptable to the PMI Insurer and/or GNMA and Fannie Mae, as applicable, to act in such capacity.

"*Qualified Census Tracts*" means those areas within the Counties which are described in Exhibit B to this Agreement.

"*Qualified Rehabilitation*" means any rehabilitation of a building if:

(i) there is a period of at least 20 years between the date on which the building was first used and the date on which the physical work on such rehabilitation begins;

(ii) in the rehabilitation process—

(A) 50% or more of the existing external walls of such buildings are retained in place as external walls;

(B) 75% or more of the existing external walls of such buildings are retained in place as internal or external walls;

(C) 75% or more of the existing internal structural framework of such building is retained in place; and

(iii) the expenditures for such rehabilitation are 25% or more of the Mortgagor's adjusted basis in the residence.

For the purposes of clause (iii), the Mortgagor's adjusted basis shall be determined as of the completion of the rehabilitation or, if later, the date on which the Mortgage acquires the residence.

"*Qualified Rehabilitation Loan*" means any owner-financing provided in connection with:

(i) a Qualified Rehabilitation, or

(ii) the acquisition of a residence with respect to which there has been a Qualified Rehabilitation,

but only if the Mortgagor to whom such financing is provided is the first resident of the residence after the completion of the rehabilitation and who executes an affidavit in form satisfactory to bond counsel. No Qualified Rehabilitation Loan may be originated without the consent of the Issuer, the Trustee and the Master Servicer.

"*Repurchase Price*" means, with respect to a Mortgage Loan or a proportionate interest in a GNMA Certificate or Fannie Mae Security attributable to a Mortgage Loan to be purchased by a Participant pursuant to Section 4.11, (i) 100% of the unpaid principal balance of such Mortgage Loan plus (ii) 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 (iii) any fees charged the Master Servicer by GNMA or Fannie Mae, as applicable, for repurchase or withdrawal of the Mortgage Loan out of the applicable Pool, if applicable, plus (iv) any servicing acquisition fee paid by the Master Servicer with respect to such Mortgage Loan, plus (v) if such repurchase is made necessary by the willful misfeasance or bad faith on the part of the Participant, or by reason of the Participant's reckless disregard of its obligations hereunder, an amount equal to 3% of the unpaid principal amount of such Mortgage Loan.

"*Servicing Officer*" means any officer of the Master Servicer involved in, or responsible for, the administration and servicing of the Mortgage Loans as evidenced by a certificate of the Master Servicer delivered to the Trustee and the Issuer; provided that the designated officers of the Master Servicer may be changed from time to time by subsequent certificates delivered to the Trustee and the Issuer.

"*Single Family Residence*" means a new or existing residential unit which is taxed as real property under the laws of the State, which complies with Section 4.05 hereof and which is located within the Eligible Loan Area, including a unit in a condominium or Planned Unit Development meeting GNMA or Fannie Mae standards, and acceptable to FHA, VA or USDA/RD, as applicable, including two-, three- or four-family residences, and ownership of which is in fee simple, and land appurtenant to the residential unit, (i) which is designed and intended primarily for residential housing, (ii) which is determined by qualified appraisal as provided herein to have an expected useful life of not less than 30 years, (iii) which will be occupied by the Mortgagor as his or her principal residence within a reasonable time (i.e., not later than 60 days) after the closing date of the Mortgage Loan or of the completion of rehabilitation with respect to a Qualified Rehabilitation Loan, (iv) the Acquisition Price of which does not exceed the Maximum Acquisition Price, and (v) the land appurtenant to which reasonably maintains the basic livability of the residence and does not provide, other than incidentally, a source of income to the Mortgagor. A Single Family Residence is "new" if it has not been occupied prior to the issuance of a commitment to a mortgagor for a Mortgage Loan financing such Single Family Residence under the Program. A Single Family Residence is "existing" if it has been occupied prior to such commitment.

"*S&P*" means Standard & Poor's Rating Services, a division of McGraw-Hill, Inc., its successors and assigns, and if such entity shall for any reason no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated in writing to the Trustee by the Issuer.

"*Standard Hazard Insurance Policy*" means a standard homeowner's fire insurance policy with extended coverage as approved by the Insurance Commissioner of the State, as required by Section 4.16 hereof.

"*State*" means the State of Florida.

"*Targeted Area Allocation*" means, with respect to each series of Bonds, that portion of the Participant's Program Allocation which must be used to make Mortgage Loans in Targeted Areas, as designated in the Participant's Notice of Acceptance.

"*Trustee*" means, with respect to each series of Bonds, the financial institution that will act as trustee under the related Indenture, as designated by the Issuer in the Offer to Originate and the Notice of Acceptance, or any successor trustee appointed under the related Indenture.

"*Underinsured Cause*" means any cause of damage to property subject to a Mortgage where the cost of the complete restoration of such property is not fully reimbursable by the insurance policies required to be maintained pursuant to Section 4.16 of this Agreement.

"*USDA/RD*" means the United States Department of Agriculture/Rural Development, an agency of the United States of America, or any successor to its functions.

"*USDA/RD Guaranteed*" means guaranteed by the USDA/RD.

"*VA*" means the Department of Veterans Affairs, an agency of the United States of America, or any successor to its functions.

"*VA Guaranteed*" means guaranteed by the VA under the Serviceman's Readjustment Act of 1944, as amended.

"*VA Guaranty*" means a guaranty by the VA under the Serviceman's Readjustment Act of 1944, as amended, provided such guaranty shall be in accordance with Section 4.02 hereof.

Unless otherwise defined herein, all words and phrases defined in Article I of the Indenture shall have the same meaning in this Agreement.

## ARTICLE II.

### REPRESENTATIONS

**Section 2.01. Representations, Warranties and Covenants of the Issuer.** The Issuer represents and warrants to, and covenants with, Participant, the Trustee and the Master Servicer that:

(a) The Issuer is a separate public body corporate and politic, duly organized and created by the Board of County Commissioners of Orange County, Florida, under the Constitution and laws of the State and the Act. Pursuant to the Act and certain resolutions duly adopted by the Issuer, the Issuer has duly authorized the making of this Agreement.

(b) The Issuer has complied with all of the provisions of the Constitution and laws of the State and the County, including the Act, and has full power and authority to consummate all transactions contemplated by this Agreement and any and all other agreements, documents and instruments relating thereto.

**Section 2.02. Representations, Warranties and Covenants of Participant.** Each Participant represents and warrants to, and covenants with, the Issuer, each Trustee and each Master Servicer (each of which representations, warranties and covenants herein and with respect to any Mortgage Loan originated by Participant hereunder shall survive the purchase of Mortgage Loans originated by Participant) that:

(a) Participant is an entity duly organized and existing under the laws of the state in which it was created, or is duly chartered or incorporated under federal law, is duly authorized to transact business in the State, and customarily provides service or otherwise aids in financing mortgages located in the State.

(b) Participant agrees that during the term of this Agreement it will remain subject to supervision and examination by State or federal authorities, as may be applicable, and that it will remain in good standing and qualified to do business under any applicable laws of the United States of America, the state of its organization and of the State, will not dissolve or otherwise dispose of all or substantially all of its assets and will not voluntarily consolidate with or merge into any other entity or permit one or more other entities to consolidate with or merge into it; provided, that Participant may, without violating this paragraph, 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 entity all or substantially all of its assets as an entirety and thereafter dissolve, provided the surviving, resulting or transferee entity, as the case may be, shall be subject to the supervision and examination of the State or federal authorities, as may be applicable, shall constitute a "Participant" as defined herein and shall assume in writing all of the obligations of Participant under this Agreement (in the case of a sale of all or substantially all of a Participant's assets, the Issuer shall release Participant in writing, concurrently with and contingent upon such assumption, from all liability hereunder).

(c) Participant has the power to accept the terms of this Agreement and to execute and deliver this Agreement and enter into the transactions contemplated by this Agreement, and the acceptance and performance of this Agreement have been duly authorized by all necessary corporate and other action.

(d) Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement, shall conflict with or result in any breach or violation of any of the terms, conditions or provisions of any applicable laws, including regulations, or any agreement or instrument to which Participant is now a party or by which it is bound, or constitute a default under any of the foregoing.

(e) Participant will not take any action or omit to take any action or permit any action which is within its control to be taken which would impair the exclusion from gross income for federal income tax purposes of interest on any Bonds of the Issuer.

(f) Participant is not under any cease and desist order or other order or injunction of a similar nature, temporary or permanent, of any federal or state authority, nor are there any proceedings presently in progress, or to its knowledge contemplated or threatened, which would, if successful, lead to the issuance of any such order.

(g) Participant shall furnish such documents at or prior to delivery of each series of Bonds as may reasonably be requested by the Issuer or other parties to the transactions contemplated hereby.

(h) Participant is (i) an FHA-approved mortgagee, with direct endorsement underwriting authority preferred, in good standing, (ii) an approved lender in good standing for VA-guaranteed mortgage loans (with automatic approval authority preferred), unless waived by the Master Servicer, (iii) a GNMA approved "issuer-servicer" in good standing, and (iv) if Conventional Mortgage Loans to be purchased under the FNMA program are to be originated, a FNMA approved lender in good standing acceptable to the PMI Insurer, unless waived by the Master Servicer. The Participant will notify the Master Servicer in writing at such time as its status with respect to items (i) - (iv) in this paragraph (h) changes.

(i) The Participant will comply, (i) with respect to each FHA Mortgage Loan, with the National Housing Act of 1934, as amended, with all rules and regulations issued thereunder and with all applicable administrative publications, (ii) with respect to each VA Mortgage Loan, with the Serviceman's Readjustment Act, as amended, with all rules and regulations issued thereunder and with all administrative publications, (iii) with respect to each Mortgage Loan, with all the requirements of, and the "Representations and Warranties of Lender" set forth in, the GNMA Guide or FNMA Guide, as applicable, and (iv) any and all applicable laws governing or regulating the origination of mortgage loans.

(j) Participant (i) is currently authorized to make mortgage loans in the State, (ii) is currently originating mortgage loans for single family residences within the Eligible Loan Area, (iii) and has an office located within the Eligible Loan Area and (iv) is a "lending institution" as that term is defined in the Florida Housing Law, Section 159.601, et seq.

(k) Participant agrees to indemnify and hold harmless jointly and severally the Issuer, the Trustee and the Master Servicer and their respective directors, officers, agents and employees from and against any and all claims, losses, damages or liabilities (including, without limitation, reasonable legal fees and expenses) arising out of, with respect to, or in connection with any performance, or failure to perform, by Participant of any act required hereunder or the breach of any representation or warranty made herein or breach of law.

(l) There is no litigation pending or, to the Participant's knowledge, threatened, against the Participant affecting the right of any of the present members of the Board of Directors or officers of the Participant to their respective offices or their jurisdiction or authority over the affairs of the Participant, nor in any way questioning the execution or validity of this Agreement; there are no other legal or governmental proceedings (other than ordinary routine litigation incident to the business conducted by the Participant) pending or, to the Participant's knowledge, threatened by governmental authority or others to which the Participant is (or may be) a party or by which the Participant is (or may be) bound or by which any property of the Participant is (or may

be) subject, which, individually or, in the aggregate, could have a material adverse effect on the financial position or results of the operations of the Participant.

(m) There are no bankruptcy, insolvency, reorganization or other similar proceedings (including proceedings whereby a regulatory body is to take managerial control of Participant) instituted by or against the Participant, and the Participant has not made any assignment for the benefit of its creditors or voluntarily suspended payment of its obligations.

(n) All information provided by Participant to the Issuer in connection with the issuance of any issue of Bonds will be distributed in true and correct when given.

(o) The Participant will comply with the non-discrimination provisions of the Civil Rights Act of 1964 and the regulations promulgated thereunder, Executive Order 11246, Equal Employment Opportunity, dated September 24, 1965 and the Fair Housing Amendments Act of 1988.

(p) In connection with the transactions contemplated by the Program Documents, the Participant will not directly or indirectly contract or enter into any agreement with any other mortgage lender or any other person or institution (except Issuer or its agents) with respect to any aspect of its participation in the Program, other than any agreement expressly authorized by the Program Documents. In particular, the Participant warrants that, prior to the delivery of any Offer to Originate to Issuer, it will not have communicated or agreed with any other mortgage lender or any other person or institution as to the amount of Mortgage Loans it has committed and agreed to originate under the Program.

(q) No information, certificate of an officer or statement furnished in writing, or report required hereunder, delivered to any Master Servicer, the Issuer or any Trustee will, to the knowledge of the Participant, contain any untrue statement of a material fact or omit a material fact necessary to make the information, certificate, statement or report not misleading.

(r) Participant shall promptly notify Issuer, Trustee and Master Servicer, in writing, of any suspension or termination of powers to do business as contemplated by this Agreement, or any substantial changes in personnel of Participant's loan originating staff or administration.

(s) Participant shall use diligent, reasonable efforts to become and to remain familiar with all FHA, VA, USDA/RD, GNMA and/or FNMA, if applicable, rules and regulations applicable to the Program, including, but not limited to, any changes or proposed changes in the GNMA and/or FNMA servicing fee, size of Pools or other features affecting the Purchase of Mortgage Loans hereunder. Any failure of Issuer or Master Servicer to inform Participant of changes or proposed changes in FHA, VA, USDA/RD, GNMA and/or FNMA rules and regulations affecting the Program shall not relieve Participant of its obligations under this subsection.

(t) In instances, if any, where in the reasonable judgment of the Master Servicer, based upon adverse information with respect to a Mortgage Loan received by the Master Servicer in connection with the origination of a Mortgage Loan, inspection of a Single Family Residence is advisable, the Master Servicer may require the originating Participant, and Participant hereby covenants, to (A) inspect the Single Family Residence prior to Purchase of the Mortgage Loan by Master Servicer to determine whether it (1) constitutes a completed Single Family Residence, (2) contains land in excess of normal requirements, (3) shows evidence of use or design for use in a trade or business of the Mortgagor and (4) is occupied by the Mortgagor as Mortgagor's principal residence, and (B) certify to the Master Servicer in writing as to the foregoing facts.

(u) Prior to Purchase by the Master Servicer, Participant shall service the Mortgage Loans, which shall include posting payments and paying taxes.

**Section 2.03. Representations, Warranties and Covenants of the Master Servicer.**

The Master Servicer represents and warrants to, and covenants with, the Participant, the Issuer and the Trustee that:

(a) The Master Servicer is a corporation duly organized, validly existing and in good standing under the laws of the state of its organization, is duly qualified and in good standing to transact 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 accept the duties of Master Servicer hereunder comply with its obligations under the terms of this Agreement. The acceptance of the duties of Master Servicer hereunder by the Master Servicer have been duly authorized by all necessary corporate action.

(b) The acceptance of the duties of Master Servicer hereunder by the Master Servicer and the performance and compliance with the terms hereof by it in the manner contemplated herein will not violate (i) its certificate of incorporation or bylaws, or (ii) any laws which could have any material adverse effect whatsoever upon the validity, performance or enforceability of any of the terms of this Agreement applicable to the Master Servicer, and will not constitute a material default (or an event which, 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 Master Servicer is a party or which may be applicable to it or any of its assets.

(c) The acceptance of the duties of Master Servicer hereunder by the Master Servicer and the performance and compliance with the terms hereof by it in the manner contemplated herein do not require the consent or approval of any governmental authority, or if such consent or approval is required, it has been obtained.

(d) This Agreement, and all documents and instruments contemplated hereby, which are accepted or executed and delivered by the Master Servicer, when duly authorized, accepted or executed and delivered by all other parties thereto, will constitute valid, legal and binding obligations of the Master Servicer, enforceable against the Master Servicer in accordance with their respective terms, except as the enforcement thereof may be limited by applicable debtor relief laws.

(e) The Master Servicer is a Fannie Mae-approved seller-servicer and GNMA-approved issuer-servicer for FHA-insured, VA-guaranteed, USDA/RD-guaranteed and private mortgage insured mortgage loans and an authorized issuer for GNMA Certificates, seller of Fannie Mae Securities and will remain so approved for the term of this Agreement.

(f) With respect to the servicing of Mortgage Loans, the Master Servicer will comply, (i) as to each FHA Mortgage Loan, with the National Housing Act of 1934, as amended, all rules and regulations issued thereunder and all applicable administrative publications, (ii) as to each VA Mortgage Loan, with the Servicemen's Readjustment Act, as amended, all rules and regulations issued thereunder and all applicable administrative publications, (iii) as to each Mortgage Loan, with the provisions of the GNMA Guide and/or the FNMA Guide, if applicable, and all other pertinent rules, regulations, policies and guidelines of GNMA, and (iv) as to each Conventional Mortgage Loan, with the provisions of the related Pool Purchase Contract, the FNMA Guides and all other applicable rules of FNMA.

(g) With respect to its duties hereunder, the Master Servicer will comply with the applicable non-discrimination provisions of the Civil Rights Act of 1964, and the regulations promulgated thereunder, Executive Order 11246, Equal Employment Opportunity, dated September 24, 1965, and the Fair Housing Amendments Act of 1988.

(h) From time to time, the Master Servicer will report to the Issuer and the related Trustee, as more fully set forth in this Agreement, information relating to the Mortgage Loans, and will do every act and thing which may be necessary or reasonably required to perform its duties under this Agreement.

(i) The Master Servicer agrees that so long as it shall continue to serve in the capacity contemplated under the terms of this Agreement, it will remain in good standing under the laws governing its organization and qualified under the laws of the State to do business in the State.

(j) No information or statement furnished in writing or report required hereunder delivered to the Issuer or the Trustee will, to the knowledge of the Master Servicer, contain any untrue statement of a material fact or omit a material fact necessary to make the information, statements or report not misleading.

(k) The Master Servicer is a mortgage banker, mortgage company or other financial institution that customarily provides service or otherwise aids in the financing of mortgage loans on single family residential housing located within the State, or a holding company of one or more of the foregoing.

(l) Neither the Master Servicer nor any "related person" as defined in Section 144(a)(3) of the Code shall acquire, pursuant to an arrangement, formal or informal, Bonds of a series in an amount related to the amount of Mortgage Loans to be acquired by Master Servicer under the Program financed by such series of Bonds.

(m) The Master Servicer is not affiliated with the Trustee, the Issuer or to the knowledge of the Master Servicer, any Participant or any of their respective affiliates.

### ARTICLE III.

#### ISSUANCE OF BONDS; APPLICATION OF BOND PROCEEDS

**Section 3.01. Issuance of Bonds; Application of Bond Proceeds.** The Issuer may, from time to time, issue, sell and deliver Bonds of a series on the terms and basis set forth in the related Indenture and apply the proceeds of such series of Bonds in the manner required by the related Indenture.

**Section 3.02. No Legal or Equitable Interest of Participant in Funds or Accounts Under an Indenture.** The Participant shall have no legal or equitable right to any funds or accounts created by or pursuant to an Indenture, or to any of the proceeds of a series of Bonds, Commitment Fees or other moneys or investments contained in such funds or accounts or otherwise pledged to the payment of the principal of, premium, if any, and interest on Bonds pursuant to an Indenture.

### ARTICLE IV.

#### COMMITMENTS TO BUY AND SELL MORTGAGE LOANS

**Section 4.01. Commitments To Buy and Sell Mortgage Loans; Program Allocations; Builder Reservations; Targeted Area Allocations.**

A. *Invitations to Participate; Offers to Originate; Program Allocations.* Prior to the issuance of a series of Bonds, the Issuer shall distribute an Invitation to Participate to each Participant hereunder as well as any additional mortgage lending institutions elected by the Issuer. In order to be considered for participation in a Program to be financed by a series of Bonds, Participant shall deliver an Offer to Originate in the form and at the time designated by the Issuer in the Invitation to Participate. Subsequent to the Issuer's receipt of the Offers to Originate, the Issuer shall, in its sole and absolute discretion, provide Program Allocations to all Participants selected for participation in the Program to be financed with the proceeds of a series of Bonds. Upon the Issuer's delivery of Notices of Acceptance with respect to a series of Bonds and subject to any reservation of a Program Allocation for any of the Mortgage Loans described in paragraphs B, C and D of this Section 4.01, the related Master Servicer hereby agrees to purchase and take delivery from Participant, and Participant agrees to use its best efforts to originate and thereafter sell and assign to such Master Servicer, Mortgage Loans conforming to the requirements of this Agreement in an aggregate principal amount equal to Participant's Program Allocation, at the Mortgage Loan Purchase price set forth in the Notice of Acceptance plus, in each case interest accrued thereon, if applicable, to the date of Purchase (less unearned prepaid interest) at the rate stated in the Mortgage Note, as determined by the Master Servicer, all on the conditions and terms set forth in the Offer to Originate and in this Agreement. The purchase price for each Mortgage Loan shall be

paid in accordance with Section 4.09 hereof. The Master Servicer's obligation to purchase and take delivery is subject to the availability of sufficient funds under the Indenture for the Trustee to purchase GNMA Certificates or cause Fannie Mae Securities to be issued in accordance with the provisions of the related Indenture.

Participant acknowledges that as a condition to purchase of each of the Mortgage Loans by the Master Servicer, the Mortgage Loan shall (i) be current in payments of principal, interest and tax and insurance escrows and (ii) be in compliance with the applicable requirements of FHA, VA, USDA/RD, GNMA, Fannie Mae, the Program Documents, the Lender's Guide, the GNMA Guide and/or FNMA Guide, if applicable, and the PMI Insurer with respect to Conventional Mortgage Loans, if applicable.

Participant understands and agrees that Commitments, including Commitments made from Builder Reservations, shall be made to applicants on a first-come, first-served basis. Participant is required to utilize procedures to ensure the application of the first-come, first-served requirement.

Each Participant's Program Allocation may be held for Builder Reservations subject to the further provisions of this Section regarding the time period for commitment of funds, provided that, unless otherwise provided in the Invitation to Participate, no more than 50% of the total funds available under a Program may be so reserved for builders without the prior consent of the Issuer. The amount of approved Builder Reservation(s) for each Participant shall be specified in the Notice of Acceptance. Unless otherwise provided in the Invitation to Participate or authorized by the Issuer, no particular builder (including related persons as defined in the Code) may reserve funds from all Participants which total in the aggregate in excess of 50% of the total funds available to purchase Mortgage Loans under a Program financed with a series of Bonds.

The Participant shall, to the extent the Participant subsequently collects fees on funds reserved by a builder for which the builder paid a reservation fee to the Participant, refund to the builder such portion of the Commitment Fee paid by such builder as shall be set forth in the Notice of Acceptance.

The Participant shall require that any builder for whom funds from a series of Bonds have been reserved shall exhaust its Builder Reservations from such series of Bonds prior to seeking any other Program funds from such series of Bonds for Mortgage Loans on Single Family Residences located in projects and subdivisions identified in the Offer to Originate for such series of Bonds.

In its sole and absolute discretion, the Issuer may establish deadlines for Mortgage Loan commitments, Mortgage Loan closing and Mortgage Loan deliveries for any type of Mortgage Loan to be originated under a Program. Any such deadlines shall be set forth in the Notice of Acceptance. If the Participant fails to meet any such deadline, the Issuer, in its sole discretion, may reallocate all or part of such unused Program Allocation either to a general pool or to other Participants, as the Issuer deems appropriate. Upon any such reallocation, the Issuer will make provision for application of Commitment Fees on such terms as it deems equitable and in the best interests of the Program, provided that no Participant shall be entitled to reimbursement of more than the

Commitment Fees it has paid and only in the event that such amounts are collected by another Participant.

In the event the Issuer extends the Origination Period with respect to a Program financed by a series of Bonds as provided in the related Indenture, the Issuer may, in its discretion, allocate funds available during such extended period and may, in its discretion, provide for reimbursement of Commitment Fees. The Issuer shall promptly notify the related Master Servicer of any change in allocations.

During the Origination Period with respect to a series of Bonds, a Participant, with the prior written consent of the Issuer and the Master Servicer, may transfer all or a portion of its Program Allocation to one or more other Participants. A Participant's request for consent to such transfer shall set forth the terms and conditions of the transfer and the proposed transferee, all of which must be acceptable to the Issuer and the Master Servicer. The Issuer and the Master Servicer shall advise the affected Participants of the decision with respect to any requested transfer by sending a notice in writing to such Participants. In no event may a Participant charge or receive any fee or remuneration for the Program Allocation being transferred, other than reimbursement for the pro rata portion of such Participant's Commitment Fee relating to the Program Allocation, or portion thereof, being transferred.

All Program Allocations shall terminate automatically upon the termination of the related the Origination Period. Nothing in this Section 4.01 shall be construed to permit the origination or Purchase of any Mortgage Loan to be financed with a series of Bonds following the end of the related Origination Period.

Participant shall originate Mortgage Loans to be financed with a series of Bonds and close and deliver such Mortgage Loans at such times as will enable the related Master Servicer to Purchase such Mortgage Loans during the related Origination Period, as set forth in the Notice of Acceptance.

The provisions of each Invitation to Participate, the Offer to Originate and Notice of Acceptance are incorporated herein by reference and are deemed to be a part of this Agreement; provided, however, that IN THE EVENT OF ANY CONFLICT OR INCONSISTENCY BETWEEN PROVISIONS OF THE INVITATION TO PARTICIPATE, THE OFFER TO ORIGINATE, A NOTICE OF ACCEPTANCE AND THIS AGREEMENT, THE PROVISIONS OF THIS AGREEMENT SHALL CONTROL.

B. *Special Mortgage Loans.*

(i) In its sole and absolute discretion, the Issuer may reserve a portion of the amount available with respect to a series of Bonds for the purchase of that portion of a GNMA Certificate or Fannie Mae Security backed by Issuer Special Mortgage Loans. Each Participant may be directed by the Issuer to originate and deliver to the related Master Servicer Issuer Special Mortgage Loans in an aggregate amount not to exceed such percentage of Participant's Program Allocation as shall be set forth in the Notice of Acceptance. Participants will not

pay a Commitment Fee for funds reserved by the Issuer for the purchase of Issuer Special Mortgage Loans. The principal amount of an Issuer Special Mortgage Loan will not be applied to the reduction of the remaining amount of a Participant's Program Allocation.

(ii) In addition, the Issuer, in its sole and absolute discretion, may require each Participant to set aside and reserve for a period established by the Issuer and set forth in the Notice of Acceptance a portion of such Participant's Program Allocation for origination of Participant Special Mortgage Loans. The portion of each Participant's Program Allocation to be reserved for Participant Special Mortgage Loans shall be set forth in the Notice of Acceptance. Participants will be required to pay a Commitment Fee for funds reserved for the origination of Participant Special Mortgage Loans in the amounts set forth in the Invitation to Participate and Notice of Acceptance, which amounts shall be reimbursed to the Participant or the builder in the same manner as reimbursement of a Participant's Program Allocation obtained for spot loans and Builder Reservations. Participants may charge each Mortgagor on a Participant Special Mortgage Loan such Origination Fee and Discount as shall be set forth in the Notice of Acceptance.

(iii) Eligibility requirements for Participant Special Mortgage Loans and Issuer Special Mortgage Loans shall be set forth in the Notice of Acceptance.

C. *Targeted Area Reservations and Reservations.* Unless otherwise provided in a Notice of Acceptance, each Participant shall reserve for a period of one year from the Application Start Date with respect to a Program financed by a series of Bonds the amount set forth as such Participant's Targeted Area Reservation in such Participant's Notice of Acceptance for the origination of Mortgage Loans to finance Single Family Residences located in Targeted Areas; provided, however, that unless otherwise approved by the Participant, no Participant's Targeted Area Reservation shall exceed 20% of such Participant's Program Allocation. During such one year period from the Application Start Date, the Master Servicer shall not be obligated to purchase from a Participant Mortgage Loans that are originated to finance Single Family Residences not located in Targeted Areas in an aggregate principal amount greater than such Participant's total Program Allocation less the amount of such Participant's Targeted Area Reservation. The Participant shall use reasonable diligence to originate Mortgage Loans for acquisition of Single Family Residences in Targeted Areas in an amount at least equal to the Participant's Targeted Area Allocation. At the end of 12 months, moneys previously designated for the purchase of Targeted Area Mortgage Loans may be used to purchase spot loans.

D. *Orange County Reservation.* In its sole and absolute discretion, the Issuer may reserve a portion of the funds made available from the issuance of a series of Bonds solely for the purchase of Mortgage Loans originated to finance Single Family Residences located in Orange County, Florida. Such reservation for Mortgage Loans on Single Family Residences for Orange County shall be set forth in the Notice of Acceptance. Without the prior written consent of the Issuer, the Master Servicer may not

use such moneys to purchase Mortgage Loans originated to finance Single Family Residences located in any other participating County.

**Section 4.02. Mortgage Loan Terms.** Mortgage Loans shall be made only to Eligible Persons and Families, as defined herein, for the purpose of providing financing for the purchase of a Single Family Residence, at an Acquisition Price not in excess of the Maximum Acquisition Price for such Single Family Residence, and not for the purpose of refinancing any existing loan other than a Qualified Rehabilitation Loan, or a construction period loan, bridge loan or similar temporary initial financing of 24 months or less. There shall be no minimum principal amount required for Mortgage Loans, and no application for a Mortgage Loan shall be rejected solely on the basis that the principal amount is too low. No Mortgage Loan made for a Single Family Residence which is a manufactured home or co-op is eligible for inclusion in a Fannie Mae Security.

Each Mortgage Loan to be sold to a Master Servicer must be evidenced by a Mortgage Note secured by a first lien Mortgage on the Single Family Residence acquired thereby and made in accordance with Participant's then current underwriting policies and the then current underwriting policies of FHA, VA, USDA/RD, the PMI Insurer, GNMA and FNMA, as applicable, and all other requirements established by this Agreement and the then current criteria set forth in the GNMA Guide or the Fannie Mae Guides, as applicable, and in any event subject to final review by the Master Servicer. All Mortgage Loans eligible for inclusion in a GNMA Certificate shall be insured by FHA, guaranteed by VA or guaranteed by USDA/RD, as applicable, and all Mortgage Loans eligible for inclusion in a Fannie Mae Security shall be insured by a PMI Insurer to the extent required by Fannie Mae.

Each Mortgage Loan (i) shall bear interest at the rate set forth in the related Notice of Acceptance, (ii) shall provide for level monthly payments of principal and interest due the first day of each month (which payments shall be accompanied by amounts for deposit in an escrow account to provide for timely payment of taxes and insurance), (iii) shall have an original term of not to exceed 360 months, (iv) shall be assumable only under the terms and conditions set forth in Section 4.17 herein, (v) shall comply in all respects with the Program Documents, the GNMA Guide, the Fannie Mae Guides, the Lender's Guide and FHA, VA, USDA/RD or PMI Insurer's rules and regulations, 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 Fannie Mae, FHA, VA or USDA/RD, as applicable, the Program Documents, the Lender's Guide, the GNMA Guide and the Fannie Mae Guides, and (vii) shall be the subject of a mortgagee's title insurance policy. Each Mortgage shall have attached to it written provisions as to assumption and/or acceleration in the applicable form set forth in the Lender's Guide. Participant shall originate all Mortgage Loans in accordance with the loan origination, eligibility and credit underwriting standards of FHA, VA, USDA/RD or Fannie Mae, as applicable, and the GNMA Guide, the Fannie Mae Guide and the Lender's Guide.

Additionally, the Notice to FHA Buyers or Notice to Veterans or Notice to Conventional Buyers (in the applicable form set forth in the Lender's Guide) must be used in connection with the origination of FHA Insured, VA Guaranteed Mortgage Loans or Conventional Mortgage Loans, respectively. A copy of the executed Notice to FHA Buyers, Notice to Veterans or Notice to Conventional Buyers, as applicable, must accompany the application for insurance or guaranty, Form HUD 92900 or FNMA Form 1003, and be included in the Mortgage File.

At the time of each initial application, Participant shall deliver to Mortgagor a copy of the form set forth in Exhibit C-1 attached hereto and in the Lender's Guide which form shall be acknowledged by the Mortgagor and at the time of closing with a statement completed by the related Master Servicer in the form of Exhibit C-2 hereto informing the Mortgagor of any potential recapture tax for federal income tax purposes on the sale or other disposition of the Single Family Residence and containing the information necessary for the Mortgagor to determine the amount of any such recapture tax. This requirement shall not apply if the Issuer and the related Master Servicer have received an opinion of Bond Counsel indicating that the federal income tax status of the interest on the related series of Bonds will not be adversely affected by the failure to provide such statement. The Issuer will notify each Participant, the Master Servicer and the Trustee that it has received such opinion of Bond Counsel.

Each Mortgagor under a Conventional Mortgage Loan originated under the Fannie Mae Community Homebuyer's Program must participate in a homeownership and personal finance counseling program as described in the Lender's Guide. Completion of the program must be documented by a letter in the Mortgage File from the Participant or community organization sponsoring the program.

With respect to a unit of a condominium or a PUD, such unit must be acceptable to FNMA, FHA, VA or the PMI Insurer, as applicable, and must meet applicable GNMA or Fannie Mae standards. There is no restriction on the percentage of condominium or PUD Mortgage Loans that a Participant may originate.

With respect to Manufactured Homes, each such home must meet GNMA or Fannie Mae standards and be acceptable to FHA, VA, USDA/RD, the PMI Insurer, GNMA and Fannie Mae, as applicable.

**Section 4.03. Processing, Origination Fees and Closing Costs.** In connection with each Mortgage Loan, the Participant may, as permitted by FHA, VA, USDA/RD or Fannie Mae, as applicable, charge and collect from the Mortgagor or seller of a Single Family Residence at the time of Closing of the Mortgage Loan (i) the Origination Fee, which Origination Fee shall not in any event exceed the applicable FNMA, FHA, VA or USDA/RD limits, (ii) the Discount, (iii) such portion of the Participation Fee as shall be set forth in the related Notice of Acceptance, and (iv) all reasonable and customary out-of-pocket costs permitted by law paid or incurred by Participant, including but not limited to notary fees, settlement fees, document preparation fees, hazard, mortgage or life insurance premiums, survey, title insurance premiums, appraisal fees, attorneys' fees, the preliminary Mortgage Loan review fee (pursuant to Section 4.08 hereof), documentary and intangible taxes, if any, recording or registration taxes and charges, prepaid escrow deposits and similar charges. The HUD-1 Settlement Statement and related loan documents shall separately and distinctly disclose the Origination Fee and shall clearly reflect that the Origination Fee does not exceed 1% of the principal amount of the Mortgage Loan or such other amount allowed by FHA, VA, USDA/RD or FNMA regulations, as applicable. In addition, Participant may collect at the time of loan application (i) an application fee in an amount approved by the Issuer as set forth in the Notice of Acceptance for the costs of the appraisal and the credit report (any moneys remaining out of the application fee must be refunded at the time of Closing) and (ii) such portion of the Participation Fee as shall be set forth in the related Notice of Acceptance, from the Mortgagor or Seller as permitted by Fannie Mae, FHA, VA or USDA/RD, as applicable. **Under current law, the note and mortgage are**

**exempt from documentary stamp and intangible taxes under Florida law.** Such fees and expenses may be collected only once in connection with the origination of the Mortgage Loan and shall not exceed limits established from time to time by federal law or State law and in any event may not exceed like amounts charged in such area in cases where financing is not provided through tax-exempt revenue bonds. The Participant may collect from the seller of a Single Family Residence the portion, if any, of the Origination Fee that may not be collected from a Mortgagor due to federal or State law restrictions.

**Section 4.04. Verification Concerning Mortgager's Federal Income Tax Returns.** Prior to Closing, Participant will obtain from each potential Mortgagor copies of his or her signed Federal Income Tax Returns (whether long Form 1040, Form 1040EZ or short Form 1040A) for the three immediately preceding calendar years filed by the Mortgagor. In lieu of the foregoing, the Mortgagor may indicate in the appropriate space in the Mortgagor's Affidavit that the Mortgagor was not required to file such return during any of the preceding three years for which such return is unavailable. The Participant shall verify from such returns or other available information that, during such three year period, the Mortgagor did not claim deductions for taxes or interest on indebtedness with respect to real property constituting his or her principal residence, unless the Mortgage Loan is for a Single Family Residence located in a Targeted Area. If a potential Mortgagor is unable to furnish copies of such returns, Participant shall obtain copies of such returns from the appropriate Service Center of the Internal Revenue Service by causing the potential Mortgagor to request the same in writing on Internal Revenue Service Form 4506.

**Section 4.05. Acquisition Price of a Residence.** The Acquisition Price of a Single Family Residence may not exceed the Maximum Acquisition Price. The Acquisition Price of a Single Family Residence is the cost of acquiring the Single Family Residence from the seller as a completed residential unit. The Acquisition Price *includes* the following:

(a) All amounts paid, either in cash or in kind, by the purchaser (or a related party or for the benefit of the purchaser) to the seller (or a related party or for the benefit of the seller) as consideration for the Single Family Residence. A Single Family Residence includes property that is a fixture under local law, such as light fixtures or wall-to-wall carpeting. Thus, if the purchaser purports separately to purchase such items, the cost of those items must be included in the cost of acquisition. On the other hand, property which is not considered a fixture under local law, such as appliances, is not considered part of a Single Family Residence and the cost of acquiring such items does not have to be included in the cost of acquiring the residence (unless the acquisition costs of such items exceeds their fair market value, in which case the amount of the excess must be included in the acquisition cost of the residence). Thus, if the purchaser agrees to purchase the refrigerator, washer and dryer from the seller for \$1,000 more than the fair market value of such items, such \$1,000 must be included in the cost of acquisition. Similarly, if as part of the purchase of the Single Family Residence the purchaser agrees to pay or assume liability for a debt of the seller, the amount of such debt must be included as part of the cost of acquiring the Single Family Residence.

(b) If a Single Family Residence is incomplete, the reasonable cost of completing the Single Family Residence whether or not the cost of completing construction is to be financed with proceeds of the Mortgage Loan. Where a Mortgagor

purchases a building which is so incomplete that occupancy of the building is not permitted under local law, the acquisition cost includes the cost of completing the building so that occupancy of the building is permitted. Thus, if a builder normally sells residences with an uncompleted recreation room but a completed third floor and a garage, but is selling a residence with no garage and an uncompleted recreation room and third floor to a Mortgagor, the cost of completion of the third floor (but not the recreation room) and the cost of addition of a garage must be included in the cost of acquisition of the Single Family Residence. On the other hand, if a Mortgagor purchases an existing home and then spends \$3,000 to paint it, refinish the floors and make minor repairs, such \$3,000 is not included in the cost of acquisition of the Single Family Residence.

(c) Where a Single Family Residence is purchased subject to a ground rent, the capitalized value of the ground rent. Such value shall be calculated using a discount rate equal to the yield on the Bonds calculated in accordance with Section 148 of the Code.

The Acquisition Price *does not include* the following:

(a) The usual and reasonable settlement or financing costs. 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" which are paid by the buyer (but not points paid by the seller, even though borne by the buyer through a higher Acquisition Price) or other costs of financing the Single Family 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 the buyer where financing is not provided through a qualified mortgage bond program. For example, if the purchaser 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 Price of a Single Family Residence.

(b) The value of services performed by the Mortgagor or members of the Mortgagor's family in completing the Single Family Residence (or a Dwelling Unit constituting part of the Single Family Residence). For purposes of the preceding sentence, 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 home alone or with the help of family members, the Acquisition Price 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 Single Family Residence. Similarly, where the Mortgagor purchases an incomplete Single Family Residence the acquisition cost includes the cost of material and labor paid by the Mortgagor to complete the Single Family Residence but does not include the imputed value of the Mortgagor's labor or the labor of the Mortgagor's family in completing the Single Family Residence.

(c) The cost of land which has been owned by the Mortgagor for at least two years prior to the date on which construction of the Single Family Residence (or a Dwelling Unit constituting part of the Single Family Residence) begins.

**Section 4.06. First Time Homebuyer.** Except with respect to Single Family Residences located in a Targeted Area and Qualified Rehabilitation Loans, each Mortgagor must be a First Time Homebuyer. Each such person must not have had a present ownership interest in a principal residence at any time during the three-year period prior to Closing. For the purposes of the preceding sentence, the Mortgagor's interest in the residence with respect to which the financing is being provided is not taken into account.

In the event that there is more than one Mortgagor with respect to a particular residence, each of such Mortgagors must meet the three-year requirement. A person who is liable under the Mortgage Note (i.e., a cosigner) secured by the Mortgage but who does not have a present ownership interest in the residence subject to the Mortgage need not meet the three-year requirement. For example, where a parent of a home purchaser cosigns the Mortgage Note for a child but the parent takes no interest in the residence, it is not necessary that the parent meet the three-year requirement since the parent is not a Mortgagor of the residence. Cosigners may only provide additional security and may not be utilized to qualify a Mortgagor for a Mortgage Loan.

Examples of interests which constitute present ownership interests (and thus would result in a potential purchaser failing to meet the First Time Homebuyer requirements) are the following:

- (a) A fee simple interest;
- (b) A joint tenancy, tenancy in common, or tenancy by the entirety;
- (c) The interest of a tenant-shareholder in a cooperative;
- (d) A life estate;
- (e) A land contract or contract for deed (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);
- (f) An interest held in trust for the Mortgagor (whether or not created by the Mortgagor) that would constitute a present ownership interest if held directly by the Mortgagor; and
- (g) An interest in a mobile home or factory-made housing that is required to be taxed as real property under State law, is permanently affixed to realty and with respect to which the Mortgagor owns the realty on which it is affixed.

Examples of interest which do not constitute present ownership interests (and thus would not result in potential home purchasers failing to meet the First Time Homebuyer requirements) are the following:

- (a) A remainder interest;
- (b) A lease with or without an option to purchase;
- (c) A mere expectancy to inherit an interest in a principal residence;

(d) The interest that a purchaser of a residence acquires on the execution of a purchase contract;

(e) An interest in other than a principal residence during the previous three years; and

(f) An interest in a mobile home or factory-made housing that is not required to be taxed as real property under State law, is not permanently affixed to realty or with respect to which the Mortgagor does not own the realty on which it is affixed.

**Section 4.07. [Reserved].**

**Section 4.08. Submission of Compliance Files.**

(a) Not later than 15 days following the Closing date, or such later date as may be approved by the related Master Servicer for good cause, Participant shall submit to such Master Servicer, with respect to each Mortgage Loan, the documents described in the Lender's Guide. Participant shall pay all costs of preparing and furnishing such files to the Master Servicer. Preliminary review and approval shall not assure the subsequent Purchase of a Mortgage Loan by the Master Servicer in the event that factual changes occur with respect to the Mortgage File or the Program between the date of preliminary approval and such Purchase Date.

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

(c) Notwithstanding the delivery procedures of this Section 4.08, the Master Servicer may, in its discretion, accept Mortgage Files for Purchase which contain certified copies of the Mortgage and the Assignment of Mortgage in lieu of the originals of same and a valid commitment for the issuance of a mortgagee's title insurance policy in lieu of a title insurance policy and may approve the pertinent Mortgage Loan for Purchase without such originals or certificate if the Mortgage File is otherwise complete, all other Mortgage File documents are present and the Mortgage Loan is subject in all respects to all terms and conditions of this Agreement. The original recorded Mortgage and original recorded Assignment of Mortgage, the title insurance policy and FHA Mortgage Insurance Certificate, VA Loan Guaranty Certificate, USDA/RD Guaranty Certificate or Private Mortgage Guaranty Insurance, if applicable, must be submitted to

the Master Servicer within 90 days from the Purchase Date of the subject Mortgage Loan. The Master Servicer may impose a fine not to exceed \$50 upon Participants in the event such documents are not received by the Master Servicer within 120 days from the Purchase Date. The Master Servicer shall, upon receipt of such originals and certified copies, if applicable, file copies of same with the related Mortgage File.

(d) The Purchase of Mortgage Loans hereunder shall take place on each Purchase Date, pursuant to the schedule of Purchase Dates established by the Master Servicer with respect to a series of Bonds. Only Mortgage Loans submitted in accordance with this Section 4.08 and which conform to the requirements of this Agreement will be Purchased by the Master Servicer on any Purchase Date. All amounts collected by the Participant representing escrow payments for insurance and taxes with respect to a Mortgage Loan shall be held in escrow and remitted to the Master Servicer not later than the Purchase Date or as directed by the Master Servicer. All notices to FHA, VA, USDA/RD, the PMI Insurer or FNMA which are required to be given under applicable FHA, VA, USDA/RD, PMI Insurer or FNMA requirements shall be given by the Participant prior to Purchase. In the event that Participant receives any payment on a Mortgage Loan after the Purchase of such Mortgage Loan, the Participant forthwith shall forward such payment (properly endorsed to the Master Servicer, if the payment was payable to Participant) to the Master Servicer.

(e) Master Servicer will issue periodic announcements of Purchase Dates. Purchase Dates are anticipated to occur weekly, commencing on the Application Start Date. The Master Servicer shall have no obligation to purchase Mortgage Loans unless they are eligible hereunder and conform to all requirements of this Agreement, including but not limited to bearing interest at the rate specified in Section 4.02 hereof.

(f) The Master Servicer shall not be obligated to Purchase any Mortgage Loan unless the documents described in the Lender's Guide with respect to such Mortgage Loan have been received by the Master Servicer for review not later than 15 days following the Closing date, or such later date as may be approved by the Master Servicer for good cause.

(g) Participant shall deliver the original executed Mortgage, Mortgage Note and Assignment of Mortgage to the Master Servicer in the following manner: (i) the Mortgage Note shall bear the endorsement set forth on the back thereof "Payable, without recourse, to the order of [Master Servicer]," and be executed by a duly authorized officer of the Participant; (ii) the related Mortgage, together with the Assignment of Mortgage, or a true and correct copy of such executed Mortgage and Assignment of Mortgage, and assurance that the originals thereof have been delivered for recording in the office of the Clerk of the County in which the applicable Single Family Residence is located sufficient to constitute the Master Servicer's ownership of the Mortgage and Mortgage Note. Participant shall further perform any other action or deed as the Master Servicer may direct to cause the proper filing or recording of the Assignment of Mortgage in such other places and in such other manner, form or condition satisfactory to the Master Servicer as is necessary to perfect the Master Servicer's security interest in each such Mortgage Note and related Mortgage.

**Section 4.09. Purchase of Mortgage Loans.** For each Mortgage Loan originated by Participant which is in compliance with all the terms and conditions of this Agreement, for which the Mortgage File and other documents have been prepared and presented to the Master Servicer in the form required hereby and for which Master Servicer certifies that all of the other conditions of this Agreement have been fulfilled, the Master Servicer shall pay to Participant, under the terms and conditions specified herein and in the Offer to Originate, on each Purchase Date for each Mortgage Loan a purchase price equal to the amount set forth in the Notice of Acceptance (in each case plus any accrued interest less unearned prepaid interest).

Participant acknowledges that, as a condition of the Purchase of the Mortgage Loan by Master Servicer, the Mortgage Loan shall (i) be current in payments of principal and interest, taxes and insurance, if required, and (ii) be in compliance with the requirements of FNMA, FHA, VA or USDA/RD, as applicable, the GNMA Guide, or the Fannie Mae Guides, the PMI Insurer, the Lender's Guide and this Agreement.

**Section 4.10. Termination of Origination Period by Master Servicer for Failure of Trustee To Purchase GNMA Certificates or FNMA Securities.** The Participants acknowledge that the Master Servicer with respect to a series of Bonds may terminate the Origination Period for such series of Bonds at any time upon written notice to Participants if the Trustee for such series of Bonds fails to purchase GNMA Certificates or FNMA Securities in accordance with the related Program Administration and Servicing Agreement due to insufficient funds in the related Acquisition Fund for such purchase. Such Master Servicer will not be required to purchase any Mortgage Loans which have not been purchased by the Master Servicer prior to the date of a notice delivered pursuant to this Section 4.10.

**Section 4.11. Defective Documents and Nonqualifying Mortgage Loans; Repurchase of Loans by Participant.**

(a) A "Defect" will exist with respect to a Mortgage Loan if:

(1) Any document constituting a part of the Mortgage File, in the sole judgment of the Master Servicer, is defective or inaccurate in any respect or shall not be valid and binding or the Participant fails to make timely delivery of any document required for a Mortgage File;

(2) Any representation or warranty of the Participant in the sole judgment of the Master Servicer, is untrue or incorrect in any material respect;

(3) The Mortgagor fails to make any payment due under the Mortgage Loan through the first payment due under the Mortgage Loan;

(4) The Master Servicer forecloses on the Mortgage Loan pursuant to Section 4.11(b) hereof; or

(5) The Mortgage Loan is not eligible for inclusion in a Pool backing a GNMA Certificate or Fannie Mae Security, as applicable, pursuant to the GNMA Guide or Fannie Mae Guides, as applicable, or, after pooling, is required to be

withdrawn from the Pool or repurchased pursuant to the GNMA Guide or the Fannie Mae Guides, as applicable.

If, following the Purchase of any Mortgage Loan, and notwithstanding the review of the related Mortgage File by the Master Servicer, a Defect is discovered with respect to the Mortgage Loan, then the Participant who sold the Mortgage Loan to the Master Servicer shall, if the Defect is susceptible to cure, cure such Defect within a period of 60 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, and if any Defect with respect to a Mortgage Loan is not cured within such 60-day period, or such shorter period if applicable, or if the Defect is not susceptible of cure, the Participant who sold the Mortgage Loan to the Master Servicer shall, not later than 30 days after expiration of the cure period or, if the Defect is not susceptible to cure, receipt of the notice to it of the Defect, repurchase the Mortgage Loan from the Master Servicer for a price equal to the Repurchase Price. In all cases, whether or not the Mortgage Loan has been repaid or otherwise satisfied, a Participant shall indemnify and hold harmless the Issuer, the Trustee and the Master Servicer for any loss, damage, forfeiture, penalty or expenses (including reasonable attorneys' fees) incurred by any one or more of them in connection with or as a result of a Defect with respect to any Mortgage Loan sold to the Master Servicer by the Participant. For the purpose of this Section 4.11, the falsity of a representation by a Mortgagor respecting some fact or facts that (i) the Participant is entitled to rely upon under the provisions of this Agreement, (ii) is of such nature that, although false, security for payment of the pertinent Mortgage Loan is not thereby adversely affected, (iii) is relied upon by the Participant in good faith, (iv) does not require withdrawal of the Mortgage Loan from the applicable Pool and (v) in the opinion of Bond Counsel, does not adversely affect the tax-exempt status of the related series of Bonds, shall not be deemed a defect or inaccuracy. The Repurchase Price of a defective Mortgage Loan shall be remitted by the Participant to the Master Servicer, with written notice from the Participant 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 4.11 by such Participant, the Master Servicer shall assign and deliver the related Mortgage File to the Participant without recourse. The Participant hereby waives any statutes of limitations or other laws that might otherwise be raised in defense to any repurchase obligation hereunder. If a Participant fails to repurchase a defective Mortgage Loan at the time and in the manner provided in this Section, the Master Servicer shall terminate all of the Participant's rights pursuant to Section 6.01 hereof, and may pursue any and all other remedies that may be available hereunder or otherwise at law or in equity.

(b) Notwithstanding anything set forth in Section 4.11(a) to the contrary, in the event the Master Servicer, the Issuer or the Participant becomes aware subsequent to a Purchase Date that any Mortgage Loan, as of the date of execution of the Mortgage, did not satisfy the requirements of Section 143 of the Code as set forth herein or any other provision of this Agreement and such Mortgage Loan is not required to be repurchased by the Participant pursuant to paragraph (a) above, such party shall notify the Master Servicer, whereupon the Master Servicer 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 and the Master Servicer shall then pursue foreclosure.

(c) EACH PARTICIPANT CLOSSES MORTGAGE LOANS WITH THE RISK THAT IT MAY HAVE TO REPURCHASE SUCH MORTGAGE LOANS OR AN INTEREST IN THE RELATED GNMA CERTIFICATE OR FANNIE MAE SECURITIES FROM THE MASTER SERVICER AS PROVIDED IN THIS SECTION 4.11.

**Section 4.12. Representations, Warranties and Covenants of Participant Concerning Mortgage Loans.** Participant hereby represents and warrants to, and covenants with, the Issuer, the Trustee and the Master Servicer as to each Mortgage Loan delivered for Purchase that:

(a) The information set forth in each Mortgage File will be true and correct at the Purchase Date thereof, each Mortgage Loan shall have been closed after the delivery of this Agreement, and each Mortgage Loan satisfies all applicable requirements set forth in this Agreement, the Lender's Guide, the GNMA Guide and the Fannie Mae Guides, including full disbursement of Mortgage Loan proceeds as reflected in the HUD-1 statement;

(b) Each Mortgage Loan will be made by Participant at the price set forth in the Notice of Acceptance with processing fees not to exceed those set forth in Section 4.03 hereof, will be secured by a Mortgage which shall constitute a first mortgage lien on a Single Family Residence occupied by the Mortgagor as such Mortgagor's principal place of residence (not more than 15 percent of the total area of the residence will be used in a trade or business including child care services on a regular basis for compensation) and not an investment, rental property or a recreational home and will be located within the Eligible Loan Area, will be substantially in accordance with then current underwriting policies of Participant, the underwriting standards set forth in the GNMA Guide and/or the Fannie Mae Guides and the requirements established hereby, subject to acceptance of FNMA, FHA, VA or USDA/RD, as applicable, or of the PMI Insurer under the PMI Policy will be made for the purpose of purchasing or providing permanent financing for such Single Family Residence and not for the purpose of refinancing any existing loan, other than a construction period loan, bridge loan or similar temporary initial financing of 24 months or less, will have level monthly debt service payments (plus require payments for deposit in the Escrow Account established pursuant to the Servicing Agreement to provide for the timely payment of taxes, insurance and similar payments), will be made to an Eligible Person or Family, as Mortgagor, and will not be assumable except as provided in Section 4.17;

(c) Each Mortgage Loan will provide for the final payment of the balance of all principal and interest within the time periods authorized in the Notice of Acceptance;

(d) The principal amount of a Mortgage Loan will not exceed any applicable loan-to-value limits as established by FNMA, FHA, VA or USDA/RD, as applicable, and GNMA or Fannie Mae, as applicable;

(e) As of the Purchase Date, each Mortgage Loan will be secured by the Mortgage as required under the GNMA Guide or Fannie Mae Guides, which will constitute a valid first lien on the property financed by the Mortgage Loan, subject only

to (i) the lien of current (accrued but not yet due and payable) real property taxes and assessments, (ii) building and use restrictions not accompanied by title reverter or forfeiture provisions on account of violation and that are not and will not be violated by occupancy and use of the improvements on the property and the property itself for the residential purposes for which the improvements were designed and constructed, (iii) rights-of-way and easements for roads, streets, utilities and other similar installations, whether or not of record, provided that such rights-of-way and easements are either of the kind (including location, area occupied, and nature of the installation thereon) acceptable to commercial lending institutions generally, or have been taken into account and reflected in the appraisal made (and correspondingly in the loan amount) in connection with the origination of the Mortgage Loan, and (iv) other defects, irregularities, encumbrances, easements, mineral reservations and conveyances and clouds on title that are acceptable to commercial lending institutions generally; provided, however, that none of the foregoing liens or encumbrances shall be permitted if in the opinion of recognized Florida counsel acceptable to the Master Servicer such lien(s) or encumbrance(s) individually or in the aggregate materially impairs the security of the Mortgage;

(f) As of the Purchase Date, Participant shall have in its possession with respect to the property financed by the Mortgage Loan and secured by the Mortgage an American Land Title Association approved mortgagee title insurance policy, or a commitment therefor (in either case, with the title insurance premium paid, or, if unpaid, with the Participant having the money for payment of the premium and assuming the responsibility for payment), in an amount at least equal to the outstanding principal amount of the Mortgage Loan naming Participant and its successors and assigns as insureds, and insuring that the Mortgage constitutes a first lien on such property, subject only to the exceptions described in subsection (e);

(g) As of the Purchase Date, the improvements upon the real property subject to the Mortgage Loan will be covered by a valid and existing Standard Hazard Insurance Policy and Flood Insurance Policy and condominium insurance, as applicable, and as required by the GNMA Guide or Fannie Mae Guides, as applicable;

(h) The terms, covenants, and conditions of the Mortgage Loan shall not have been and shall not prior to the Purchase be waived, altered, impaired or modified in any respect, except for such waivers, alterations and the like effected by Participant prior to the Purchase Date acceptable to GNMA or Fannie Mae, as applicable, pursuant to the GNMA Guide or Fannie Mae Guides, as applicable, and, if applicable, to the PMI Insurer;

(i) As of the Purchase Date, the Mortgage Loan shall be current as to principal and interest payments and payments for tax and insurance escrows and there shall be no delinquent tax or delinquent assessment lien against the property financed by the Mortgage Loan unless allowed by the GNMA Guide or Fannie Mae Guides, as applicable;

(j) As of the Purchase Date, Participant shall not have done any act to create an offset, defense or counterclaim to the Mortgage Loan, including the obligation of the Mortgagor to pay the unpaid principal of and interest on the Mortgage Loan unless

allowed by the GNMA Guide or Fannie Mae Guides, as applicable, and, if applicable, the PMI Insurer;

(k) Each Mortgage shall be filed and recorded in the public records of the County in which the Single Family Residence is located, in the office of the Clerk of the Circuit Court of the County, and any different or other recording that might hereafter be required by the laws of the State to perfect the lien of real estate mortgages against the adverse or competing claim of third parties by giving public notice thereof also shall have been accomplished as required by the GNMA Guide or Fannie Mae Guides, as applicable;

(l) As of the Purchase Date, as to each Mortgage, there shall be no mechanics', laborers' or materialmen's liens or claims therefor outstanding for work, labor, or materials affecting the property encumbered by the Mortgage securing the Mortgage Loan that are or might be or become liens prior to, or equal with, the lien of the Mortgage, unless the title insurance specified in Section 4.12(f) insures against such risks and such risks are permitted by the GNMA Guide or Fannie Mae Guides, as applicable;

(m) To the best knowledge of Participant, the physical property financed or improved by the Mortgage Loan shall be free of material damage and shall be in general good repair on the Purchase Date;

(n) Each Mortgage Loan, at the time it shall have been made, shall have conformed to all disclosures required to be made by the Real Estate Settlement Procedures Act and the Federal Truth-in-Lending Act and all other applicable State and federal laws and regulations;

(o) Each Mortgage Loan at the time it shall have been made shall have complied with applicable State and federal usury laws;

(p) To the best knowledge of Participant, as of the Purchase Date the Mortgagor of a Mortgage Loan shall not have conveyed such Mortgagor's right, title to or interest in the property to any third party;

(q) As of the Purchase Date, Participant has no knowledge of any facts or circumstances, economic or otherwise, which may have an adverse effect on the credit of any Mortgagor, the prospect of prompt payment of any Mortgage Loan or the value of any security therefor;

(r) Participant has reviewed applicable credit reports and related documents required in connection with any application by the potential Mortgagor to assure itself, prior to approving such application, that such potential Mortgagor has the capacity to repay the Mortgage Loan;

(s) As of the Purchase Date, Participant has no knowledge of any circumstances or conditions with respect to the Mortgagor, the Single Family Residence, the Mortgage Loan or any related document that could reasonably be expected to cause prudent private investors in the secondary market to regard the Mortgage Loan as an

unacceptable investment, or cause the Mortgage Loan to become delinquent or to adversely affect the value or the marketability of the Mortgage Loan, and Participant has no knowledge of any circumstances which would cause the invalidation or cancellation of the FHA Insurance, VA Guaranty or USDA/RD Guaranty of the Mortgage, or, if applicable, any Private Mortgage Guaranty Insurance;

(t) As of the Purchase Date, the Mortgagor shall have agreed to make payments on the Mortgage Loan and such Mortgage Loan is in accordance with this Agreement and the Program;

(u) As of the Purchase Date, Participant has no knowledge or other reason to believe that any of the representations and statements contained in the affidavits of the Seller, the Mortgagor and the Participant or any other information submitted in connection with origination of the Mortgage Loan are not true and correct;

(v) Each Mortgage and Assignment of Mortgage to Master Servicer shall have been filed and properly recorded prior to the Purchase of the related Mortgage Loan, and any different or other recording that might hereafter be required by laws of the State to perfect the lien of real estate mortgages against the adverse or competing claims of third parties by giving public notice thereof or to perfect Master Servicer's ownership of the Mortgage Loan shall also have been accomplished;

(w) To the best knowledge of Participant, after the exercise of due diligence, each Mortgage Loan shall be in compliance with the requirements of Section 143 of the Code and the Program; and

(x) Each Conventional Mortgage Loan shall be insured under valid and effective Private Mortgage Guaranty Insurance issued by a PMI Insurer and meeting the requirements of this Agreement and the Fannie Mae Guides to the extent private mortgage insurance for the Mortgage Loan is required by the Fannie Mae Guides.

It is understood and agreed that the representations, warranties and covenants set forth in this Section shall survive the sale of the Mortgage Loans by Participant to the Master Servicer and that the representations, warranties and covenants shall inure to the benefit of the transferees and assigns of the Master Servicer which may include GNMA, Fannie Mae, the Trustee, the Issuer and the Bondholders. Upon discovery by Participant, the Trustee, GNMA, FNMA, the Master Servicer or the Issuer of a breach of any of the foregoing representations, warranties and covenants, the party discovering such breach shall give prompt written notice to the others. Within 30 days of its discovery or its receipt of notice of breach, Participant shall cure such breach in the manner set forth in Section 4.11 hereof. It is understood and agreed that the obligation of Participant to purchase the Mortgage Loan as to which a breach has occurred and is continuing shall constitute the sole remedy respecting such breach available to the Master Servicer, the Issuer and the Trustee where Participant has acted in good faith.

**Section 4.13. Proceeds of Commitment Fee.** The Commitment Fee submitted to the Trustee with the Offer to Originate in the form of a certified or cashier's check shall be held by the Trustee and applied in accordance with the terms of the related Indenture.

**Section 4.14. Prohibition of Discrimination.** Participant will consider all applications in the order in which they are received, on a fair and equal basis, will not arbitrarily reject a Mortgage Loan application because of the location (other than Eligible Loan Area limitations) and/or age of the property, and will not, in the case of a proposed Mortgagor, arbitrarily vary the terms of a Mortgage 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 or military status; provided, however, that a Participant may refuse to accept applications for Mortgage Loans to refinance construction loans if Participant desires and intends to make no such loans under this Agreement.

No Participant shall enter into any agreement or arrangement with any person, firm or corporation to prefer any applicant or group of applicants for Mortgage Loans over any other applicant or group of applicants for such Mortgage Loans without the express approval of the Issuer, nor may applications for such loans be accepted for processing, or arrangements for the acceptance or handling of such applications be made, prior to the related Application Start Date. In accepting, evaluating and acting upon such applications, Participant shall comply, if applicable, with the Federal Equal Credit Opportunity Act and Regulation B promulgated thereunder.

**Section 4.15. Disclosures to Borrowers.** Participant shall provide to each prospective Mortgagor at the time of (i) receipt of loan application, a statement in the form attached hereto as Exhibit "C-1" and as provided in the Lender's Guide, and (ii) the loan closing, a statement in the form attached hereto as Exhibit "C-2" and as provided in the Lender's Guide (or such substitute forms as shall be designated by the Issuer and provided to Participants by the Master Servicer).

Section 4.16. Requirement of Standard Hazard Insurance and Flood Insurance.

(A) The Single Family Residence securing any Mortgage Loan must be covered by the Standard Hazard Insurance meeting the following requirements:

(1) Standard Hazard Insurance Coverage in the following kinds and amounts will be carried by each Mortgagor or by the condominium association on behalf of the Mortgagor, where appropriate, or by the related Master Servicer under a mortgagee single interest hazard insurance policy and is required on property covered by a Mortgage Loan:

(a) fire and extended coverage insurance is required in an amount which is not less than the maximum insurable value of the property securing such Mortgage Loan or (provided that no co-insurance clause shall be applicable) the principal balance owing on such Mortgage Loan, whichever is less; and

(b) where the Participant is aware that the property is exposed to any appreciable hazard against which fire and extended coverage insurance does not afford protection, the Participant must advise the related Master Servicer of the nature of such hazard and the additional insurance coverage, if any, which has been obtained against such hazard. If adequate insurance has not been obtained against such hazard, the

Master Servicer may require the Participant to obtain such coverage prior to accepting the Mortgage Loan for purchase;

(2) such insurance must be in effect on the Purchase Date of the Mortgage Loan and the expiration date of each policy must be more than six months after the Purchase Date. The premium on each policy must have been paid in full by the Mortgagor (no "courtesy receipts" or other secondary financing of such premium is permitted);

(3) insurance policies must be sufficient in amount and scope of coverage to meet any applicable requirements of GNMA, FNMA, FHA, VA or USDA/RD, as applicable, and, if applicable, PMI Insurers;

(4) policies containing a deductible clause of no more than \$250, applicable to either fire or extended coverage or both, are acceptable in areas where such provisions are mandatory or customary;

(5) each Mortgage Loan must provide that, in the event of any loss settlement on a Standard Hazard Insurance Policy, the Mortgagor has the option of applying the loss settlement proceeds against the principal amount of the Mortgage Loan rather than restore the property; and

(6) each Standard Hazard Insurance Policy must be written by a hazard insurance carrier which falls into a financial category, as designated in Best's Insurance Reports of B/VI or better (the Master Servicer may make an exception upon specific request where the insured is an assigned risk) and each carrier must be specifically licensed or authorized by law to transact business in the State.

(B) The Participant is responsible for and warrants compliance with the provisions of the Flood Disaster Protection Act of 1973, whenever such provisions would be applicable to any property financed with Mortgage Loan sold to the Master Servicer. If the area is one identified by the Secretary of Housing and Urban Development as an area having special flood hazards, flood insurance shall be maintained in the amount (provided that no co-insurance clause shall be applicable) of the outstanding principal balance of the Mortgage Loan or the maximum limit of coverage available under the National Flood Insurance Act of 1968, as amended, whichever is less.

(C) Policies are unacceptable where: (i) under the terms of the carrier's charter, by-laws or policy, contributions or assessments may be made against the Master Servicer or its assignee, or (ii) contributions or assessments may be made against the owner of the property which could become a lien on the property superior to the lien of the Mortgage Loan, (iii) by the terms of the carrier's charter, bylaws or policy, loss payments are contingent upon action by the carrier's board of directors, policyholders, or members or (iv) the policy includes any limiting clauses (other than normal insurance conditions) which could prevent the Master Servicer or the Mortgagor from collecting insurance proceeds.

(D) All Standard Hazard Insurance Policies must contain or have attached the standard mortgagee clause customarily used within the Eligible Loan Area naming the Master Servicer, and/or its assigns, as the mortgagee. The policy must provide that the insurance carrier will notify the Master Servicer at least 30 days in advance of the effective date of any cancellation or modification of the policy. The Participant must (i) cause each insurance policy to be properly endorsed, (ii) give any necessary notices of transfer in order to fully protect, under the terms of the policy and applicable law, the interest of the Master Servicer as first lienholder and (iii) cause all insurance drafts, notices, policies, invoices and other documents to be delivered directly to the Master Servicer, regardless of the manner in which the insurance policy is endorsed. The Participant shall cause the Master Servicer's address to be used in the endorsement.

(E) The Master Servicer may require such additional coverage as it may deem necessary in connection with any case or group of cases.

(F) In addition to the coverage required under (A) through (E) above, Planned Unit Developments must also meet the following requirements:

(1) The PUD corporation, homeowner's association, or trust must have fire and extended coverage insurance on insurable PUD common property for at least 90% of the replacement cost or for the amount of all mortgage loans to PUD unit owners, whichever is greater. Such insurance must name as the insured the PUD corporation, association or trust for the benefit of the PUD unit owners.

(2) The PUD corporation, association or trust must have fidelity coverage against dishonest acts on the part of directors, managers, trustee, employees or volunteers responsible for handling funds collected and held for the benefit of the PUD unit owners if the planned unit development or subdivision has more than 50 units. The fidelity bond or insurance must name the PUD corporation, association or trust as the named insured and must be written in an amount sufficient to provide protection which is in no event less than one and one-half times the insured's estimated annual operating expenses and reserves. In connection with such coverage, an appropriate endorsement to the policy to cover any persons who serve without compensation must be added if the policy would not otherwise cover volunteers.

(3) The PUD corporation, association or trust must have a comprehensive policy of public liability insurance covering all of the PUD common property. Such insurance must contain a "Severability of Interest" endorsement which precludes the insurer from denying the claim of the PUD unit owner because of the negligent acts of the PUD corporation, association or trust or other unit owners.

(G) Insurance coverage on condominium units must be in conformity with the following additional requirements:

(1) A multi-peril type policy covering the entire condominium or an individual unit policy is acceptable, as long as it provides minimum fire and

extended coverage insurance on a replacement cost basis in an amount not less than 100% of the insurable value (based upon replacement cost). If there is a steam boiler in operation in connection with the mortgaged property, boiler explosion insurance must be in force in a standard form of boiler and machinery insurance policy which provides coverage at least equal to \$1,000,000 for each accident at each location or requires a greater coverage depending upon the nature of the property. If the condominium development is located in an area identified by the Secretary of Housing and Urban Development as an area having special flood hazards and the sale of flood insurance has been made available under the National Flood Insurance Act of 1968, an individual or a "blanket" policy of flood insurance on the condominium project must be obtained in an amount which is the lesser of the maximum amount of insurance available under the act or (provided no co-insurance clause is applicable) the aggregate of the unpaid principal balances of the loans secured by the condominium units comprising the condominium project. The name of the insured under each required policy must be stated in form and substance similar to the following:

"Association of Owners of the Condominium for use and benefit of the individual owners (designated by name, if required)"

(2) Participant must furnish to the Master Servicer the original copy or photocopy of the multi-peril policy or policies and the boiler and machinery insurance policies and flood insurance policies, if any.

(3) Each such policy must contain the standard mortgagee clause which must be endorsed to provide that any proceeds shall be paid to the Association of Owners of the Condominium for the use and benefit of mortgagees as their interest may appear, or must be otherwise endorsed to fully protect the Master Servicer's interest as mortgagee. The Participant must produce a letter addressed to the Association of Owners or its agent wherein the Association of Owners has been requested to notify the Master Servicer whenever (i) damage to a family unit covered by a Mortgage Loan held by the Master Servicer exceeds \$1,000 or (ii) damage to common areas and related facilities exceeds \$10,000. If the Master Servicer is expressly named under the standard mortgagee clause, no such letter is required.

(4) The Association of Owners of the Condominium must have fidelity coverage against dishonest acts on the part of directors, managers, trustees, employees or volunteers responsible for handling funds belonging to or administered by the Association of Owners as the named insured, if the condominium project has more than thirty units, and must be written in an amount sufficient to provide protection which must be consistent with local and Florida insurance laws. In connection with such coverage, an appropriate endorsement to the policy to cover any persons who serve without compensation must be added if the policy would not otherwise cover volunteers.

(5) The Association of Owners of the Condominium must have a comprehensive policy of public liability insurance covering all of the common

areas, commercial spaces, and public ways in the condominium project. Such insurance must contain a "Severability of Interest" endorsement which precludes the insurer from denying the claim of a condominium unit owner because of negligent acts of the Association of Owners of the Condominium or other unit owners. The scope of coverage must include all other coverage in the kinds and amounts required by private institutional mortgage investors for projects similar in construction, location and use. Liability coverage shall be for at least \$1,000,000 per occurrence, for personal injury and/or property damage.

**Section 4.17. Assumption Restrictions.** In any case in which a Single Family Residence subject to a Mortgage has been or is about to be conveyed by the Mortgagor and the purchaser desires to assume all the rights and obligations of the Mortgagor under the Mortgage Loan, Master Servicer may release (subject to any required GNMA, FNMA, PMI Insurer, FHA, VA or USDA/RD approval, as applicable, and in accordance with currently applicable GNMA, FNMA, PMI Insurers, FHA, VA or USDA/RD rules and regulations, as the case may be) the original Mortgagor and take or enter into an assumption agreement from or with the person to whom such property has been or is about to be conveyed; provided, however, that such assumption may only be permitted if (i) the purchaser is an Eligible Person or Family (determined as of the date of the assumption as if the Mortgage Loan was first being made on that date), (ii) the purchaser will occupy the Single Family Residence within 60 days of the assumption as the purchaser's principal residence and intends to maintain the Single Family Residence as his or her principal residence as long as he or she is liable under the Mortgage Loan, (iii) the Acquisition Price of the Single Family Residence does not exceed limits then applicable for an existing Single Family Residence within the Eligible Loan Area (determined as of the date of the assumption as if the Mortgage Loan was first being made on that date) as established by the Issuer, which determination is supported by affidavits contained in the Lender's Guide, (iv) the Mortgage Loan continues to be insured under the insurance policies described in this Agreement and approved by the Master Servicer, (v) the purchaser's Current Annual Family Income does not exceed the then-current Maximum Current Annual Family Income (determined as of the date of the assumption as if the Mortgage Loan was first being made on that date), as established by the Issuer, (vi) the Mortgage Loan must continue to comply with the requirements of FNMA, FHA, VA and USDA/RD, the Program Documents, the Lender's Guide, the Fannie Mae Guides and the GNMA Guide or the FNMA Guide, as applicable, (vii) the Master Servicer provides to the assuming mortgagor notice of the recapture provisions of the Code, as provided in Section 4.15 hereof with respect to loan originations, (viii) except for residences in a Targeted Area and Qualified Rehabilitation Loans, the purchaser is a First Time Homebuyer (determined as of the date of the assumption as if the Mortgage Loan was first being made on that date) and (ix) it does not contain terms which Master Servicer has been advised will affect the exclusion from gross income (for federal income tax purposes) of interest on the Bonds. In connection with any such assumption agreement, the interest rate of the related Mortgage Note shall not be changed; however, the Master Servicer may charge in connection with each assumption an assumption fee not to exceed the maximum amount permitted by FNMA, FHA, VA or USDA/RD, as applicable, plus, to the extent permitted by law, and FNMA, FHA, VA or USDA/RD, as applicable, the reasonable and customary out-of-pocket costs paid or incurred by Master Servicer.

**Section 4.18. Participant To Transfer Mortgage Loans and Servicing Thereof to Master Servicer.** Prior to the Purchase Date, Participant shall assign and transfer each Mortgage Loan to the Master Servicer in exchange for payment of the Purchase price on the Purchase Date as provided in this Agreement. Under the Servicing Agreement, on and after the Purchase Date, Master Servicer will perform all servicing functions relating to each Mortgage Loan. After the issuance date of each Pool, Master Servicer will be governed by the GNMA Guide or Fannie Mae Guides, as applicable, and the MBS Agreement and Pool Purchase Contract.

**Section 4.19. Origination of Rehabilitation Loans.** Participants are encouraged to originate Mortgage Loans which are rehabilitation loans, including without limitation Qualified Rehabilitation Loans and Section 203(k) loans, in accordance with all GNMA, FNMA, FHA, VA, USDA/RD and PMI Insurer requirements, as applicable. The Master Servicer will purchase rehabilitation Mortgage Loans at such time as the Master Servicer shall determine in its sole discretion. Therefore, prior to the origination of a rehabilitation Mortgage Loan, Participants must reach an agreement with the Master Servicer with respect to the purchase of such Mortgage Loan. The Master Servicer shall not be responsible for, nor undertake any inspections, approve construction draws or otherwise participate in servicing functions during the construction period relating to such rehabilitation Mortgage Loan. Such functions shall be the responsibility of the Participant originating such Mortgage Loan.

## ARTICLE V.

### PARTICIPANT

**Section 5.01. Liability of Participant.** Participant shall be liable under this Agreement only to the extent that obligations are explicitly imposed upon and undertaken by Participant.

**Section 5.02. Limitation on Liability of Directors, Officers, Employees and Agents of Participant.** No director, officer, employee or agent of Participant shall be under any liability to the Issuer, the Trustee or the Bondholders of any series of Bonds for any action taken or for refraining from the taking of any action in good faith pursuant to this Agreement, or for errors in judgment.

**Section 5.03. Participant Not To Resign.** Upon the receipt of a Program Allocation with respect to a series of Bonds, except with respect to the applicability of Section 2.02(b) hereof, Participant shall not resign from the obligations and duties hereby imposed on it with respect to such series of Bonds except upon determination that its duties hereunder are no longer permissible under applicable law or regulation. Any such determination permitting the resignation of Participant shall be made on the basis of evidence satisfactory to the Issuer and the Master Servicer. Notwithstanding the foregoing, nothing contained herein shall require the Participant to request a Program Allocation for any series of Bonds nor shall anything contained herein require the Issuer to provide the Participant with a Program Allocation for each series of Bonds.

Participants resigning pursuant hereto shall not be entitled to reimbursement of Commitment Fees paid with respect to such Participant's unused Program Allocation.

**Section 5.04. Maintenance of Errors and Omissions Policy and Fidelity Bond.** Each Participant shall obtain and maintain an errors and omissions policy and fidelity bond, or self-insurance coverage in form and, in amounts required by FHA, VA, USDA/RD, GNMA or Fannie Mae for parties acting in their capacity under the Program.

## ARTICLE VI.

### CAUSES PERMITTING TERMINATION

**Section 6.01. Causes of Termination Defined; Remedies.** Upon the happening of any one or more of the following events, the Trustee shall, upon the direction of the Issuer and if indemnified for its costs, terminate this Agreement with respect to any Participant or take whatever action at law or in equity as may appear necessary or desirable to enforce performance and observance of any obligation, agreement or covenant of Participant hereunder:

(a) Failure by Participant to promptly originate and offer to the Master Servicer, on behalf of the Issuer, for Purchase Mortgage Loans complying with the requirements of this Agreement.

(b) A decree or order of a court or agency or supervisory authority having jurisdiction in the premises for the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings, or for the winding-up or liquidation of its affairs, shall have been entered against Participant and such decree or order shall have remained in force undischarged or unstayed for a period of 60 days.

(c) Participant shall consent to the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings of or relating to Participant or relating to all or substantially all of its property.

(d) Participant shall admit in writing its inability to pay its debts generally as they become due, file a petition to take advantage of any applicable insolvency or reorganization statute, make an assignment for the benefit of its creditors, or voluntarily suspend payment of its obligations.

(e) The Issuer, the Trustee or the Master Servicer shall have actual knowledge that any representation of or warranty by Participant to the Master Servicer, the Issuer or the Trustee is false in any material respect.

(f) There occurs prior to Purchase of any Mortgage Loan a change in status of the Participant originating such Mortgage Loan with respect to Participant's approvals as either an FHA, VA or USDA/RD approved mortgagee, a GNMA issuer-servicer or a

Fannie Mae approved lender or a material adverse change in the Participant's financial condition.

(g) Participant shall fail to perform or observe any covenant, agreement or condition on its part contained herein and the continuance thereof for a period of thirty (30) days after written notice thereof to the Participant by the Issuer, the Master Servicer or the Trustee.

**Section 6.02. No Remedy Exclusive.** Unless otherwise expressly provided, no remedy herein conferred upon or reserved 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 upon the happening of any event set forth in Section 6.01 hereof shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee on behalf of the Issuer to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article.

**Section 6.03. Agreement To Pay Attorneys' Fees and Expenses.** In the event Participant should fail to perform its obligations under any of the provisions of this Agreement and the Issuer, the Trustee or the Master Servicer should employ attorneys or incur other expenses for the enforcement of performance or observance of any obligation or agreement on the part of Participant herein contained, Participant agrees that it will pay or reimburse the Issuer, the Trustee or the Master Servicer on demand the reasonable fee of attorneys (and legal assistants) and such other incurred expenses.

**Section 6.04. Liability of the Master Servicer or Issuer.** The Master Servicer or Issuer shall not be liable for the appointment or removal of a successor Participant or owe any duty with respect to such appointment or removal, except for its own willful misconduct and, except to the extent of its obligations to assure proper servicing hereunder. Notwithstanding any provision to the contrary in this Agreement, neither the Issuer nor the Master Servicer shall be liable in any respect for the appointment or removal of a successor Participant by the Master Servicer or the Issuer or owe any duty with respect to such appointment or removal other than as otherwise provided herein.

**Section 6.05. Servicing Termination.** Master Servicer may be terminated only as provided in the Servicing Agreement, the GNMA Guide as modified by the MBS Agreement and the Fannie Mae Guides.

## ARTICLE VII.

### MISCELLANEOUS PROVISIONS

**Section 7.01. Amendments, Changes and Modifications.** This Agreement may be amended, changed, modified, altered or terminated only with the written consent of the Participant, the Issuer, the Trustee and the Master Servicer.

Section 7.02. **Recordation of This Agreement.** This Agreement, or a memorandum of any portion or portions hereof executed by the Issuer and Participant, is subject to recordation among the Land Records of Orange County, and in any other appropriate public office or elsewhere if directed by the Issuer.

**Section 7.03. Limitation on Rights of Bondholders.** No Bondholder shall have any right to institute a suit with respect to this Agreement except as provided in the related Indenture and for the equal benefit of all Bondholders with respect to a series of Bonds.

**Section 7.04. Governing Law.** This Agreement shall be construed in accordance with the laws of the State, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

**Section 7.05. Notices.** All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by certified or registered mail, postage prepaid, return receipt requested, addressed to the appropriate Notice Address. A duplicate copy of each notice, certificate or other communication given hereunder to the Issuer, the Trustee or the Master Servicer shall also be given to the others. The Issuer, the Participant, the Trustee or the Master Servicer may, by a notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

**Section 7.06. 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.

**Section 7.07. Further Assurances and Corrective Instruments.** To the extent permitted by law, the Issuer, the Trustee, the Master Servicer and Participant agree that they 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 for carrying out the intention of or facilitating the performance of this Agreement.

**Section 7.08. Term of This Agreement.** This Agreement shall be in full force and effect from the date hereof and shall continue in effect so long as any Bonds are outstanding or the Master Servicer shall own any Mortgage Loans made hereunder, whichever is later.

**Section 7.09. No Rights Conferred On Others.** Nothing in this Agreement shall confer any right upon any person other than the Issuer, the Trustee, the Master Servicer, GNMA, Fannie Mae and Participant.

**Section 7.10. Limited Liability; No Debt or General Obligation.** All obligations of the Issuer incurred hereunder and any liability incurred by the Issuer with respect to any breach of any such obligation shall not constitute a debt of the County, the State, the Issuer or any political subdivision thereof nor shall any such party be liable thereon, nor shall Participant, the Bondholders or any other persons have the right to require or compel the exercise of the ad valorem taxing power of the County or any other political subdivision of the State for the payment, obligations or other liability due hereunder and in no event shall such payment be

payable out of any funds or properties other than those of the Issuer which are legally available for such purposes.

**Section 7.11. Discretion of the Master Servicer.** With respect to any disputes between the Master Servicer and the Participant which arise concerning the terms and provisions of this Origination Agreement, the meaning thereof, or decisions to be made thereunder, the judgment of the Master Servicer shall govern.

**Section 7.12. Lender's Guide.** The Lender's Guide is hereby incorporated herein and made a part hereof. The forms of certifications and affidavits contained in the Lender's Guide may be amended in the discretion of the Master Servicer upon receipt of approval of the Issuer's bond counsel.

## ARTICLE VIII.

### LIMITED RESPONSIBILITIES

**Section 8.01. Trustee's Limited Responsibilities.** The parties hereto acknowledge that the Issuer has entered into the Servicing Agreement and this Agreement with the Master Servicer which imposes certain responsibilities on the Master Servicer, including review as to whether or not a mortgage loan submitted for purchase by the Participant is a Mortgage Loan as defined herein. The Trustee has not assumed and expressly disclaims responsibility for performance of the Master Servicer's responsibilities under the Servicing Agreement and this Agreement, including determination as to whether a mortgage loan submitted for purchase is a Mortgage Loan, except as specifically provided in the Indenture, Servicing Agreement and this Agreement concerning termination of the Master Servicer's rights under the Servicing Agreement and this Agreement. The Trustee shall be entitled to rely on the certification of the Master Servicer as to the qualification of a mortgage loan submitted for purchase as a Mortgage Loan as defined herein.

**Section 8.02. Master Servicer's Limited Responsibility.** The Master Servicer shall not be responsible for compliance of the Program or the Program Documents with the Code or the Act or the requirements of VA, FHA, USDA/RD, Fannie Mae or GNMA. The Master Servicer may rely in all matters on the authenticity and due authorization and execution, and the veracity of the information contained in, all Program Documents and other documents, agreements, records and papers delivered to it, and the Master Servicer will not be required to conduct any independent verification of the validity of any such material or the accuracy of the information contained therein. The Master Servicer will have no responsibility except as specifically provided in this Agreement and the other Program Documents, and no obligations on the part of the Master Servicer may be implied from this Agreement or any other Program Document.

[Remainder of page intentionally left blank]

**IN WITNESS WHEREOF**, this Agreement is executed as of the date set forth on the cover page hereof.

**(SEAL)**

**ORANGE COUNTY HOUSING  
FINANCE AUTHORITY**

**ATTEST:**

By \_\_\_\_\_

By \_\_\_\_\_  
Secretary

**ATTEST:**

as Participant

By \_\_\_\_\_

By \_\_\_\_\_

Its \_\_\_\_\_

Its \_\_\_\_\_