

MORTGAGE
ORIGINATION, SALE AND SERVICING GUIDE
FOR THE
VETERANS' LAND BOARD
VETERANS' HOUSING ASSISTANCE PROGRAM

THE LOMAS & NETTLETON COMPANY
ADMINISTRATOR

DATED

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**MORTGAGE
ORIGINATION, SALE AND SERVICING GUIDE**

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ARTICLE I

Definitions

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

"Act" means Chapter 162 of the Natural Resources Code of Texas including all amendments thereto from time to time.

"Administration Agreement" means the Administration Agreement between the Board and the firm retained to assist the Board with the Program providing for certain duties of Administrator relating to the Program.

"Administrator" means CitiMortgage, Inc. and any successor to its duties under the Administration Agreement, or, upon the termination of the Administration Agreement or in the absence of a successor to the Administrator, the Board.

"Agreements" means this Guide, and all other agreements, contracts or instruments contemplated by or related to the foregoing.

"Application to Participate" means the agreement executed by Participant and submitted to the Board in connection with the Program pursuant to Section 3.01 hereof.

"Appraisal" means an appraisal of a Home conducted in accordance with generally accepted standards by a Qualified Appraiser.

"Appraised Value" means the value of a Home as determined through an Appraisal.

"Assignment of Program Note and Mortgage" means the assignment of all of the right, title and interest in a Program, Note and a Participation Interest in a Mortgage, in the form prescribed from time to time by the Board, to be executed by Participant for each Program Note purchased.

"Assumption and Release Agreement" means a written agreement entered into pursuant to Section 6.13 hereof.

"Board" means the Veterans' Land Board or any successor to its duties under this Guide.

"Bond Counsel" means any attorney or firm of attorneys experienced in the area of general obligation bonds whose legal opinion on such bonds is acceptable in national bond markets, selected or employed by the Board.

"Bondholders" means holders or registered owners of the Bonds.

"Bonds" means the related series of general obligation bonds issued by the Board under and pursuant to the Resolution to fund the Program.

"Business Day" means any day of the week other than Saturday, Sunday or a day which shall be in the State a legal holiday or a day on which banking institutions are authorized or obligated by Law or executive order to close.

"Certificate of Hazard Insurance" means the certificate in the form prescribed from time to time by the Board, to be submitted by Participant with each Mortgage Loan pursuant to Section 4.04 hereof.

"Certificate of Participant's Approval" means the certificate sent to Participants by the Board pursuant to Section 3.02 hereof.

"Certificate of Veteran's Approval" means the certificate sent to Veterans in the form prescribed from time to time by the Board pursuant to the Program Guidelines.

"Closing" means the origination and funding of a Mortgage Loan by Participant.

"Closing Date" means the date of any Closing.

"Code" means the Internal Revenue Code of 1954, as amended.

"Commission" means the Veterans' Affairs Commission or any successor thereto.

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

"Conventional Loan" means a Mortgage Loan which is not insured by FHA or guaranteed by VA or FMHA.

"Curtailments and Prepaid Installments Report" means the report in the form prescribed from time to time by the Administrator to be provided by Participant pursuant to Section 6.08 hereof.

"Custodial Account" means an account maintained by Participant pursuant to Section 6.03 hereof, to which all Revenues shall be deposited.

"Dealer" means a person, firm, partnership, corporation or other similar business entity having a financial interest in a contract for the repair, alteration or improvement of the mortgagor's property (home improvement contract), and who intervenes or participates, as an intermediary, in the application for or disbursement of a Home Improvement Loan.

"Dealer Loan" means a Home Improvement Loan which involves the participation of a Dealer, although the Home Improvement Loan is originated by a Participant.

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

"Direct Loan" means a Home Improvement Loan originated by a Participant, which meets the following conditions: (i) the Home Improvement Loan must be applied for by and disbursed directly to the Mortgagor; (ii) the credit application must be signed by the Mortgagor or Mortgagors and filled out by the Mortgagor or Mortgagors, a maker of the mortgage note evidencing the Home Improvement Loan other than the Mortgagor, or a person acting at the direction of a Mortgagor who has no financial interest, directly or indirectly, in the contract for the repair, alteration or improvement of the Mortgagor's property; and (iii) the Home Improvement Loan proceeds must be delivered directly to the Mortgagor or Mortgagors without the intervention or participation of an intermediary in any manner in such disbursement other than a maker of the Program Note.

"de minimus PUD" means: (i) a Planned Unit Development which meets the definition of a "de minimus PUD", as defined in the FNMA Conventional Home Mortgage Selling Contract Supplement.

"Eligible Borrower" means (i) the Veteran(s) intending to Purchase, and reside in, as their Principal Residence, a Home to be financed with a Mortgage Loan, who has not previously utilized the Veterans Housing Assistance Program, or (ii) the Veteran(s) intending to cause Improvements to be made to their Principal Residence, such Improvements to be financed with a Mortgage Loan, who has not previously utilized the Veterans Home Improvement Program.

"Eligible Loan Area" means the entire geographical area of the State of Texas.

"Errors and Omissions Insurance Policy" means a standard form insurance policy, in form and substance as required by the FHLMC or FNMA, insuring-against losses from errors or omissions in the conduct of a business. Deviations from such form and substance will be considered by the Board upon request.

"Escrow Account" means the account by that name created and maintained by Participant pursuant to Section 6.03 of this Guide.

"Escrow Payments" means all moneys collected, or required to be collected, by Participant to obtain or maintain mortgage insurance, fire, flood and other hazard insurance, or for payment of taxes or other governmental or similar charges customarily required to be escrowed with respect to Mortgage Loans.

"FDIC" means the Federal Deposit Insurance Corporation, or any successor thereto.

"FHA" means the Federal Housing Administration of the Department of Housing and Urban Development of the United States of America, or any successor thereto.

"FHA Insurance" means those types of FHA mortgage insurance on Homes presently issued under the National Housing Act of 1934, as amended.

"FHLMC" means Federal Home Loan Mortgage Corporation, or any successor thereto.

"Fidelity Bond" means a standard form fidelity bond, in form and substance as required by the FNMA or the FHLMC, unless otherwise specified by the Board. Deviations from such form and substance will be considered by the Board upon request.

"FmHA" means Farmers Home Administration, or any successor thereto.

"FmHA Guaranty" means a guaranty of a Mortgage Loan by the FmHA.

"FNMA" means Federal National Mortgage Association, or any successor thereto.

"FSLIC" means the Federal Savings and Loan Insurance Corporation, or any successor to its functions.

"Government Obligations" means direct general obligations, the payment of the principal and interest of which are unconditionally guaranteed by, the United States of America.

"Guide" means this Mortgage Origination, Sale, and Servicing Guide of the Board, and all amendments or supplements hereto.

"Home" means a residential unit as described in the Program Guidelines.

"Home Improvement Loan" means a Program Loan to provide financing for Improvements by an Eligible Borrower to such Eligible Borrower's Principal Residence.

"Improvements" means alterations, repairs and improvements that substantially protect or improve the basic livability or energy efficiency of an Eligible Borrower's Principal Residence, including the renovation of plumbing or electric systems, the installation of improved heating or air conditioning systems, the addition of living space, or the renovation of a kitchen area, but excluding swimming pools, tennis courts, saunas or other recreational or entertainment facilities.

"Individual Delinquency Report" means the report in the form prescribed from time to time by the Administrator, to be provided by Participant pursuant to Section 6.08 hereof.

"Insurance Expenses" means expenses incurred by Participant which are recoverable with respect to a Mortgage Loan under any of the insurance policies required to be maintained hereunder, exclusive of amounts representing recoveries of principal and interest on any Mortgage Loan.

"Insurance Proceeds" means payments received with respect to a Mortgage Loan under any insurance policy required to be maintained hereunder.

"Invitation" means the Invitation to Participate in the Program and the Program Guidelines pertaining to the Program, as all or any part of them may be supplemented and amended from time to time, sent to Lending Institutions by the Board.

"Laws" means all applicable statutes, laws, ordinances, regulations, orders, writs, injunctions, or decrees of the United States, any state, municipality or court of competent jurisdiction.

"Lending Institution" means a bank, trust company, savings bank, national banking association, saving and loan association, building and loan association, mortgage banker, mortgage company, credit union, life insurance company, or other financial institution that customarily provides services or aids in the financing of mortgages on single family residential housing. The term includes a holding company for any of the foregoing.

"Liquidation Expenses" means expenses incurred by Participant in connection with the liquidation of any defaulted Mortgage Loan and not recovered by Participant under the Private Mortgage Insurance Policy for reasons other than Participant's failure to comply with Section 6.11 of this Guide, exclusive of amounts representing recoveries of principal and interest on any mortgage Loan.

"Liquidation Proceeds" means amounts (other than Insurance Proceeds) received in connection with the liquidation of defaulted Mortgage Loans, whether through trustee's sale, foreclosure sale, condemnation, taking under power of eminent domain, conveyance in lieu of foreclosure or condemnation, or otherwise.

"Loan Servicing Guidelines" means the guidelines found in the Seller's Guide except as modified by the Administrator for the servicing of Program Loans.

"Loan Submission Schedule" means the schedule in the form prescribed from time to time by the Administrator, to be submitted by Participant with each package of Program Loans delivered for Purchase.

"Mortgage" means (i) with respect to each Mortgage Loan which is not a Home Improvement Loan, the instrument securing a Mortgage Loan which creates a first lien on a Home subject only to Permitted Encumbrances which shall include those forms specified in the Seller's Guide and approved by the Administrator, supplemented by the Mortgage Rider, and (ii) with respect to each Mortgage Loan which is a Home Improvement Loan, the instrument securing a Home Improvement Loan which creates a lien on a Principal Residence, supplemented by the Mortgage Rider.

"Mortgage Documents" means the documents specified from time to time by the Administrator pertaining to a particular Mortgage Loan.

"Mortgage Documents Guide" means the guide for preparation of the Mortgage Documents file submitted in connection with each Mortgage Loan containing the documents described from time to time by the Board and in the sequence specified from time to time by the Administrator.

"Mortgage Loan" means the Program Loan and any other loan made concurrently and secured on a parity with the Program Loan.

"Mortgage Rider" means the rider attached to each Mortgage Loan in the form prescribed by the Administrator modifying the terms of the Mortgage Loan evidencing, among other things, the Participation Interest therein.

"Mortgage Submission Voucher" means the voucher in the form prescribed from time to time by the Administrator, which is submitted by Participant with each Program Loan.

"Mortgagor" means the obligor(s) on a Program Note, and/or a subsequent owner of a Home, who has acquired same and assumed the Program Loan pursuant to Section 6.13 hereof.

"New Loans and Loan Removal Report" means the report in the form prescribed from time to time by the Administrator, to be provided by Participant pursuant to Section 6.08 hereof.

"Notice Address" means until changed pursuant to Section 9.05 hereof:

(a) As to the Board:

Veterans' Land Board
Stephen F. Austin Building
1700 North Congress
Austin, Texas 78701
Attn: Executive Secretary

(b) As to the Administrator:

CitiMortgage, Inc.
14651 Dallas Parkway, Suite 210
Dallas, Texas 75240
Attn: Veterans' Housing Assistance Program

(c) As to Participant:

At the address set forth in Participant's Application to Participate.

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

"Officer's Certification" means: (i) the certification on the Mortgage Submission Voucher for each Program Loan executed by an Officer which shall represent Participant's warranty with respect to compliance with all of the terms and conditions hereof and particularly with respect to the representations, warranties and covenants contained in Section 2.02 hereof, and (ii) the annual statements certified by an Officer of Participant in accordance with Section 6.12 of this guide.

"Origination Fee" means a fee in an amount not in excess of the percentage of the principal amount of a Program Loan specified in the Program Guidelines.

"Participant" means a Lending Institution meeting the requirements of the Program Guidelines and approved by the Board to participate in the Program.

"Participant Application Fee" means a nonrefundable fee to be paid by Participant in an amount specified from time to time by the Board.

"Participant Delinquency Report" means the report in the form prescribed from time to time by the Administrator, to be provided by Participant pursuant to Section 6.08 hereof.

"Participant Loan" means any loan made concurrently and secured on a parity with a Program Loan which is not a Home Improvement Loan.

"Participant Note" means the promissory note evidencing the obligation to repay a Participant Loan.

"Participant Remittance Reconciliation" means the report in the form prescribed from time to time by the Administrator, to be provided by Participant pursuant to Section 6.03 hereof.

"Permitted Encumbrances" means those liens, covenants, conditions, restrictions, rights-of-way, easements and other matters which are of public record as of the date of the recording of a Mortgage which are permitted under the Seller's Guides.

"Planned Unit Development" means a real estate development as defined in the FNMA Conventional Home Mortgage Selling Contract Supplement.

"Principal Prepayment" means any Mortgagor payment or other recovery of principal on a Mortgage Loan which is not applied by Participant to a scheduled payment under the Mortgage Loan and the portion of any Insurance Proceeds, Liquidation Proceeds, or other collections representing similar payments.

"Principal Residence" means a Home which, in view of all the facts and circumstances of each case including the good faith of the proposed Mortgagor, (i) has not been used by the proposed Mortgagor or is not primarily intended by the proposed Mortgagor to be used in a trade or business; and (ii) has not been used or is not to be used by the proposed Mortgagor as an investment property or as a recreational home.

"Private Mortgage Insurance Policy" means a private mortgage insurance policy issued by a Qualified Insurer.

"Program" means the Veterans' Housing Assistance Program.

"Program Guidelines" means the guidelines attached to the Invitation established by the Board and provided to Participants, and any other guidelines adopted by the Board and provided to Participants.

"Program Loan" means a Participation Interest in any loan evidenced by a Program Note which is secured by the related Mortgage for financing the purchase by an Eligible Borrower of a Home or for financing Improvements by an Eligible Borrower to such Eligible Borrower's Principal Residence, and which is being presented to the Board for Purchase or has been Purchased pursuant to the Program and this Agreement.

"Program Note" means the promissory note evidencing the obligation to repay the Program Loan, payable to the order of Participant, and, prior to Purchase, assigned to the Board, executed by a Mortgagor to evidence such Mortgagor's obligation to repay the Program Loan as specified in the Seller's Guide and approved by the Administrator.

"Program Participation Fee" means a fee in an amount specified in the Program Guidelines which may only be collected from the seller.

"Purchase" means the purchase of a Program Loan by the Board from Participant pursuant to Section 4.04 of this Guide.

"Purchase Date" means the day of any Purchase.

"Purchase Price" means the amount which the Board will pay to Participant for a Program Loan being Purchased as specified in the Program Guidelines.

"Qualified Appraiser" means an appraiser who would be used by Participant for the origination of a residential mortgage loan for sale to FNMA or FHLMC and, if appropriate, who is approved by the FHA or the VA.

"Qualified Insurer" means, a private mortgage insurer qualified to issue private mortgage insurance in the State, provided, in each case, that such insurer is approved by FNMA or FHLMC.

"Resolution" means the resolution adopted by the Board for the Program, providing for the payment of and security for the Bonds, and all amendments or supplements thereto.

"Revenues" means all moneys received by Participant representing principal and interest payments on Program Notes, including Principal Prepayments, prepayment penalties, if any, Insurance Proceeds, condemnation proceeds or proceeds received in connection with a taking under power of eminent domain or a conveyance in lieu of condemnation and Liquidation Proceeds, net of Service Fees.

"Schedule of Purchase Dates" means the schedule sent to Participant pursuant to Section 3.02 hereof.

"Seller's Guide" means the FHA/VA Mortgage Selling Contract Supplement, the FNMA Conventional Home Mortgage Selling Contract Supplement, the FHLMC Seller's Guide Conventional Mortgages, and the U.S. Department of Housing and Urban Development Title I Property Improvement Loan Operating Handbook (applicable to Home Improvement Loans); provided, however, that all references therein to FNMA or FHLMC shall be deemed to refer to the Board, the Administrator or any combination of the foregoing appropriate under the circumstances.

"Service Fee" means a fee which may be retained by Participant as provided in Section 6.04 hereof, in the monthly amount as specified in the Program Guidelines.

"Servicer's Guide" means FNMA Home Mortgage Servicer's Contract Supplement and the FHLMC Servicer's Guide; provided, however, that all references therein to FNMA or FHLMC shall be deemed to refer to the Board, the Administrator or any combination of the foregoing appropriate under the circumstances.

"Standard Hazard Insurance Policy" means a standard hazard insurance policy with extended coverage as approved by the insurance commissioner of the State, meeting the requirements of Section 6.09 of this Guide.

"Standard Hazard Insurer" means an insurance carrier which (i) is an acceptable hazard insurer for mortgages which are sold to or serviced for FNMA or FHLMC, and (ii) is qualified to do business in the State.

"State" means the State of Texas.

"Statement of Loan Paid in Full" means the report in the form prescribed from time to time by the Administrator, to be provided by Participant pursuant to Section 6.03 hereof.

"Take-Out Loan" means any Mortgage Loan made for the purpose of paying a construction period loan, bridge loan or similar temporary initial financing which qualifies as such pursuant to the Program Guidelines and which shall be deemed to be a Mortgage Loan to finance the purchase of a Home.

"Title Policy" means, with respect to a Mortgage Loan which is not a Home Improvement Loan, a mortgagee title insurance policy issued by a company qualified to insure title in the State in an amount equal to the original principal amount of a mortgage Loan issued as of the Closing of such Mortgage Loan and insuring Participant and its assigns, that the Mortgage securing the Mortgage Loan constitutes a valid first lien on the fee simple title to or leasehold estate longer than the term of the Mortgage on a Home, subject only to Permitted Encumbrances.

"Trial Balance" means the report in the form prescribed from time to time by the Administrator to be provided by Participant pursuant to Section 6.08 hereof.

"VA" means the Veterans Administration of the United States of America, or any successor thereto.

"VA Guaranty" means a guaranty of a Mortgage Loan by the VA under the Servicemen's Readjustment Act of 1944, as amended.

"VA Mortgage Loan" means a Mortgage Loan which is the subject of a VA Guaranty.

"Veteran" means a person who meets the eligibility requirements as stated in the Program Guidelines.

"Veteran Application Fee" means a nonrefundable fee to be paid by Veteran to the Board in an amount specified in the Program Guidelines.

[END OF ARTICLE I]

ARTICLE II

Representations

Section 2.01. Representations, Warranties and Covenants of Participant. Participant represents and warrants to, and covenants with the Board that:

- (a) Participant is duly organized, validly existing, and in good standing under the Laws governing its creation and existence and is duly authorized and qualified to transact in the State any and all business contemplated by this Guide and possesses all requisite authority, power, licenses, permits and franchises to conduct its business and to execute, deliver and comply with its obligations under the terms of this Guide, the execution, delivery and performance of which have been duly authorized by all necessary action.
- (b) The execution and delivery of this Guide by Participant in the manner contemplated herein and the performance and compliance with the terms hereof by it will not violate (i) the instruments creating Participant or governing its operations, 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 Guide applicable to Participant, 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 Participant is a party or which may be applicable to Participant or any of its assets.
- (c) The execution and delivery of this Guide by Participant in the manner contemplated herein and the performance and compliance with the terms hereof by it do not require the consent or approval of any governmental agency or, if such consent or approval is required, it has been obtained.
- (d) This Guide, and all documents and instruments contemplated hereby, which are executed and delivered by Participant, will constitute valid, legal and binding obligations of Participant, enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by applicable Debtor Relief Laws.
- (e) Participant will be (i) at the time of origination of any Mortgage Loan which has FHA Insurance, and at all times thereafter so long as Participant shall continue to serve in the capacity contemplated under the terms of the Guide, an FHA-approved mortgagee and a FNMA or FHLMC-approved seller and servicer of FHA-insured mortgages, or an institution the deposits of which are insured by FDIC or FSLIC, (ii) at the time of the origination of any Mortgage Loan which has a VA Guaranty, and at all times thereafter so long as Participant shall continue to serve in the capacity contemplated under the terms of the Guide, an eligible lender for mortgages guaranteed by the VA and a FNMA or FHLMC approved seller and servicer of VA-guaranteed mortgages, or an institution the deposits of which are insured by FDIC or FSLIC, and (iii) at the

time of the origination of any Conventional Loan, and at all times thereafter so long as the Participant shall continue to serve in the capacity contemplated under the terms of the Guide, a FNMA or FHLMC approved seller and servicer of conventional mortgages, or an institution the deposits of which are insured by FDIC or FSLIC. Further, the Participant, at the time of origination of any Home Improvement Loan, will have a valid Contract of Insurance (as defined in the U.S. Department of Housing and Urban Development Title I Property Improvement Loan Operating Handbook), and will take all steps necessary to cause such Home Improvement Loan to be covered by FHA Insurance.

(f) Participant will comply with the following laws, rules, requirements and publications as now in effect and as may hereafter be amended and supplemented: as to each privately insured Mortgage Loan, comply with all rules and requirements of the Qualified Insurer in the performance of this Guide.

(g) Participant will comply with the non-discrimination provisions of the Civil Rights Act of 1964 (78 Stat. 252) and the regulations pursuant to such Act.

(h) From time to time Participant will report, as more fully set forth in this Guide, information relating to the Mortgage Loans to the Board, the Administrator and such other persons as may from time to time be designated by the Board, and will do every act and thing which may be necessary or required to perform its duties under the Guide.

(i) Participant agrees that so long as it shall continue to serve in the capacity contemplated under the terms of the Guide it will remain in good standing under the Laws governing its creation and existence and qualified under the Laws of the State to do business in the State, 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, however, that Participant may, without violating the covenant set forth in this subsection, consolidate with or merge into another entity all or substantially all of its assets as an entirety and thereafter dissolve, if the surviving, resulting or transferee entity, as the case may be, shall have a net worth equal to or greater than the net worth of Participant immediately preceding any such merger, consolidation or sale of assets, shall be qualified under the Laws of the State to do business in the State, shall be qualified under the Laws and have all necessary approvals required of Participant under Section 2.01(e) hereof to perform Participant's duties under the Guide, and shall assume in writing all of the obligations of Participant under the Guide, in which event the Board shall release Participant in writing, concurrently with and contingent upon such assumption, from all obligations so assumed.

(j) No information, certificate of an Officer, statement furnished in writing, or report required hereunder, delivered to the Board, the Administrator or any other person as may from time to time be designated by the Board to receive same, will, to the knowledge of the Participant delivering same, contain any untrue statement of a material fact or omit a material fact necessary to make the information, certificate, statement or report not misleading.

(k) Neither Participant nor any "related person" as defined in Section 103 of the Code shall acquire, pursuant to an arrangement, formal or informal, any Bonds for its own account in an amount related to the amount of Mortgage Loans to be acquired from Participant by the Board or serviced by the Participant for the Board.

(1) Participant meets all of the eligibility criteria for participation in the Program.

Section 2.02 Representations, Warranties and Covenants Relating to Mortgage Loans. By execution of the Officer's Certification, Participant represents and warrants to, and covenants with the Board, as of the Purchase Date, that:

(a) The information set forth in the Mortgage Submission Voucher pertaining to the subject Program Loan is true and correct as of the date thereof and will be true as of the Purchase Date unless the Administrator is notified in writing to the contrary prior to the Purchase Date.

(b) (i) Each Mortgage Loan which is not a Home Improvement Loan is secured by a valid first lien on the fee simple title to, or a leasehold estate longer than the term of the Mortgage on a Home which, to Participant's best knowledge, is located within the Eligible Loan Area, is to be occupied within 60 days after the Closing by the Mortgagor as the Principal Residence of such Mortgagor, and is made in accordance with the Program Guidelines and qualifies for Purchase under the terms of the Program Guidelines and the Guide; and (ii) each Mortgage Loan which is a Home Improvement Loan is secured by a valid lien on the fee simple title to, or a leasehold estate longer than the term of the Mortgage on a Principal Residence which, to Participant's best knowledge, is located in the Eligible Loan Area, is to be occupied within 60 days after the completion of the related Improvements and is made in accordance with the Program Guidelines and qualifies for Purchase under the terms of the Program Guidelines and the Guide.

(c) As to each Mortgage Loan which is privately insured, Participant has complied with all rules and requirements of the insuring company and the contract of insurance, and such insurance is in full force and effect and will, upon Purchase of the Program Loan, inure to the benefit of the Board.

(d) (i) Each Program Loan which is not a Home Improvement Loan is secured by a valid first lien in favor of the Board on the fee simple title to, or a leasehold estate longer than the term of the mortgage on, the property on financed by the Mortgage Loan, subject only to Permitted Encumbrances; and (ii) each Home Improvement Loan is secured by a valid lien on the fee simple title to, or a leasehold estate longer than the term of the mortgage on, the property financed by the Home Improvement Loan subject only to Permitted Encumbrances. (If the Mortgage Loan is not a Home Improvement Loan the improvements on the property covered by the Mortgage Loan have been fully completed and the property subject to the Mortgage is free and clear of all mechanics' and materialmen's liens, or liens in the nature thereof, and no rights are outstanding that could give rise to such liens and the property subject to the Mortgage is free from all other liens, encumbrances, restrictions and covenants which would materially and

adversely affect the value of such property.) In the event the Mortgage Loan was made to finance the Purchase of a newly constructed Home, said residence was, to the best knowledge of Participant, constructed in accordance with all applicable building codes and standards and the builder has warranted all materials, workmanship, and mechanicals for a minimum period of one year.

(e) The improvements upon the real property subject to the Loan are covered by a valid and subsisting standard hazard insurance policy, as required by the Guide, with, in the case of a Mortgage Loan which is not a Home Improvement Loan, one year's premium prepaid at the time of Closing and an endorsement in favor of the Board.

(f) The terms, covenants and conditions of the Mortgage Loan have not been, and will not be as of the Purchase Date, waived, altered, impaired or modified in any respect which materially affects the value, validity, enforceability, prompt payment of the Mortgage Loan, or the security of the lien securing the Mortgage Loan, except for such waivers, alterations and the like accomplished by Participant prior to the Purchase Date and disclosed to and approved in writing by the Administrator.

(g) There is no default or delinquency under the terms and covenants of the Mortgage Loan; no payments are more than 30 days past due and unpaid under the Mortgage Loan as of the submission date; all costs, fees, and expenses incurred in making, closing and recording the Mortgage Loan have been paid; and within the three month period preceding the submission of the Program Loan by Participant for Purchase by the Board, there has not been outstanding any advance of funds by Participant, to or on behalf of the Mortgagor to be used by the Mortgagor for the payment of any monthly installment, principal, interest, or other charges payable under the Mortgage Loan.

(h) There are no delinquent tax or delinquent assessment liens against the property financed by the Mortgage Loan.

(i) Participant has not 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.

(j) There is pending no proceeding for a total or partial condemnation of the physical property financed by the Mortgage Loan and based upon an inspection made by or on behalf of the Participant in connection with making the mortgage Loan, said property is free of material damage and shall be in general good repair on the Purchase Date. The Participant has no knowledge that any improvement covered by the Mortgage Loan is in violation of any applicable zoning law or regulation or any valid restrictive or protective covenant or set back line.

(k) The Mortgage Loan, at the time it was made, conformed to all disclosures required to be made by the Real Estate Settlement Procedures Act and the Federal Truth-in-Lending Act or any similar applicable Federal or State Law. All closing and settlement costs and

all other charges in connection with the Mortgage Loan, paid or borne by the Mortgagor and by the seller of the property securing the Mortgage Loan, have been disclosed to such parties and have been clearly itemized, identified and explained in detail with the party paying or bearing each such items of cost or another charge clearly indicated) on a closing or settlement statement, a signed copy of which was furnished on or before Closing or settlement to such Mortgagor and seller.

(l) The Mortgage has been duly recorded or filed for record by Participant in the proper public office in order to give constructive notice thereof to all subsequent purchasers or encumbrancers of the property or Improvements financed by such Mortgage Loan.

(m) The Mortgage Loan at the time of Closing and at the time of Purchase is in compliance with applicable usury Laws.

(n) Immediately prior to the transfer and assignment of the Mortgage Loan, the Participant has good title to, and is the sole owner of, such Mortgage Loan and there is not now nor has there been any other sale or assignment thereof, except an assignment for security purposes in connection with a mortgage warehousing financing arrangement. The Assignment of Program Note and Mortgage will, as of the Purchase Date, have been properly recorded or filed for record.

(o) To the best knowledge of Participant, (i) with respect to each Mortgage Loan which is not a Home Improvement Loan, the Mortgagor of a Mortgage Loan has not conveyed such Mortgagor's right, title or interest to or in the property subject to the Mortgage to any party other than a trust for the benefit of such Mortgagor and/or members of such mortgagor's immediate family; and (ii) with respect to each Home Improvement Loan, the Mortgagor of a Mortgage Loan has not conveyed such mortgagor's right, title or interest to or in the property subject to the Mortgage to any party other than the holder of any prior liens or a trust for the benefit of such Mortgagor and/or members of such Mortgagor's immediate family.

(p) The stated interest rate for each Program Loan is in compliance with the Program Guidelines, and the interest rate, points, origination fees, servicing fees and other amounts charged with respect to each other loan constituting a portion of a Mortgage Loan do not exceed the reasonable and customary amount for loans made at or about the same time in the ordinary course of Participant's business and which are not financed with the proceeds of tax-exempt bonds.

(q) Participant has no knowledge of any circumstances or conditions with respect to the Mortgage Loan, the Mortgage, the property subject to the Mortgage, or the Mortgagor or his credit standing that can be reasonably expected to cause prudent private investors in the secondary market to regard the Mortgage Loan as an unacceptable investment, cause the Mortgage Loan to become delinquent, or adversely affect the value or marketability of the Mortgage Loan, except with respect to the relationship of the interest rate on the Mortgage Loan to the current market.

(r) Upon Purchase of each Program Loan, the Program Loan, if financing a unit of a Condominium Development, a Planned Unit Development, or a de minimus PUD, complies with all requirements of the Program Guidelines.

(s) The representations, warranties and covenants of Participant contained in the Guide were, as of the Closing date, and will be as of the Purchase Date, true and correct.

(t) At the time of Closing, there will have been executed and in possession of Participant such affidavits and certificates or similar documents deemed necessary by the Administrator and a form of which has been provided to Participant.

Section 2.03. Representations, Warranties, and Covenants Relating to the Tax-Exempt Status of the Bonds. The Board and each Participant hereby declare their understanding and intent that the interest on the Bonds shall be exempt from federal income taxation pursuant to Section 103 of the Code, and hereby severally covenant not to knowingly take or permit any action within their control which would impair such exemption from federal income taxation.

[END OF ARTICLE II]

ARTICLE III

Participation in Program

Section 3.01. Application Procedure. Each Lending Institution has submitted to the Board an Application to Participate, indicating thereon the commitment to originate, sell and service Program Loans in accordance with the Guide and the Program Guidelines.

Section 3.02. Approval Procedure. The Administrator will mail or deliver, to each Lending Institution approved for participation in the Program, written documentation regarding their approval. As of the date of the Certificate of Participant's Approval, the Lending Institution is deemed a Participant hereunder for all purposes without further action by the Board. Participant shall be committed to use its best efforts to originate Program Loans in accordance with this Guide and the Program Guidelines and agrees to sell to the Board and the Board agrees to Purchase at the Purchase Price, from Participant, Program Loans. Participant further agrees to service all of the Mortgage Loans. The Board shall specify the exact interest rate to be charged with respect to all Program Loans, and will be accompanied by a Schedule of Purchase Dates which shall provide for at least one Purchase Date per month. The Purchase of each Program Loan is subject to the review of the Mortgage Documents pursuant to Section 4.04 hereof.

Section 3.03. Application Fees and Deposits. All moneys paid by a Lending Institution in connection with the submission of an Application to Participate and any other deposits will be retained on the terms and in the manner specified in the Invitation.

[END OF ARTICLE III]

ARTICLE IV

Origination and Closing of Program Loans

Section 4.01. Guide to Originate and Sell. Participant hereby agrees to use its best efforts to originate and fund, for sale to the Board, Program Loans originated upon the terms and conditions as set forth in the Program Guidelines and this Guide.

Section 4.02. Terms of Origination. Each Participant shall originate all Program Loans for sale to the Board in accordance with the Program Guidelines and where applicable, in accordance with all applicable VA, FHA, GNMA, FNMA, FHLMC rules, regulations, procedures or guidelines. All Program Loans originated by each Participant for sale to the Board must be made to (i) finance the acquisition of Homes within the Eligible Loan Area or (ii) finance Improvements to a Principal Residence within the Eligible Loan Area.

Section 4.03. Program Loan Terms. Each Program Loan shall provide for payments to be due on the first day of each month. Payments of principal shall commence on the first day of the second month following the Closing Date. Interest shall be paid in arrears. At the Closing, a Participant may collect, to the extent permitted by Law all fees and expenses permitted in the Program Guidelines. No other fees, charges, discounts or remuneration may be received or retained by any Participant in connection with a Closing under this Program unless expressly permitted by the terms hereof. Any riders to a Mortgage or notifications to a Mortgagor required by the provisions of this Guide and supplied in original form by the Board, shall be attached to the respective Mortgages.

Section 4.04. Program Loan Submission and Closing.

(a) After the Closing Date, Participant shall deliver to the office of the Administrator or such other location as the Administrator may from time to time designate, a Loan Submission Schedule and a file containing the Mortgage Documents pertaining to any Program Loan to be purchased on such Purchase Date in the sequence prescribed in the Mortgage Documents Guide. Participant shall pay all costs of preparing and furnishing to the Administrator the Mortgage Documents. The Mortgage Documents will be reviewed by the Administrator prior to the Purchase Date. Any Program Loan with respect to which the Mortgage Documents are deemed to be defective, may be returned by the Administrator, with all instruments submitted in accordance with this Section, to the Participant to be cured, if possible. To be purchased, such Program Loan must be resubmitted in accordance with the procedures of this Section. The examination of a Program Loan by the Administrator hereunder shall not constitute a waiver of any warranty, representation or covenant by Participant or the Mortgagor with respect to the Program Loan.

(b) The Purchase of Program Loans hereunder shall take place on each Purchase Date, pursuant to the Schedule of Purchase Dates. Only Program Loans submitted in accordance with this Section 4.04 and which conform to the requirements of the Program Guidelines and this Guide will be purchased by the Board on any Purchase Date. The Board will not purchase any Program Loan if the Purchase Date is more than one hundred twenty (120) days after the Closing

Date of the Program Loan in the absence of written authorization of the Administrator which will not be given without the consent of the Board. Any and all amounts representing Escrow Payments collected by Participant with respect to a Mortgage Loan shall be held by Participant in an account which shall conform to the escrow requirements of FNMA or FHLMC with respect to conventional mortgages sold or serviced for FNMA or FHLMC. The Board shall purchase, on each Purchase Date, from moneys available therefor, each Program Loan which is approved as of such Purchase Date under the terms and conditions herein specified. Upon the purchase of each Program Loan, the Board shall deliver to Participant the Purchase Price of the Program Loan. Prior to the purchase of a Program Loan, Participant shall record or file for record an Assignment of Program Note and Mortgage for such Program Loan in all offices necessary to perfect the lien of the Mortgage under the Laws of the State and submit same, with proper recordation notation, with the Mortgage Documents. All notices to insurers under any insurance policies maintained with respect to a Mortgage Loan under this Guide which are required to be given for mortgages serviced for FNMA or FHLMC shall be given by Participant prior to Purchase. Participant shall also provide to the Administrator such other reports or information regarding the Program Loans being sold by Participant as may be reasonably requested.

Section 4.05. Maintenance of Mortgage Documents. Participant shall maintain a file, containing the documents specified from time to time by the Administrator, with respect to each program Loan purchased until at least three (3) years after the date the Program Loan is fully paid or otherwise terminated.

Section 4.06. Limited Liability. All monetary obligations of the Board incurred hereunder shall be payable solely out of, and all liability of the Board shall be limited to, revenues and receipts derived from the transaction contemplated and performed pursuant to the Guide.

Section 4.07. Defects and Non-Submission. If any documents relating to the Program Loan are, in the judgment of the Administrator, defective or inaccurate in any material respect, or any representation or warranty of Participant is, in the judgment of the Administrator, untrue as to any material matter, Participant shall cure the defect within a period of sixty (60) days from the time it receives notice of the existence of the defect or inaccuracy or such shorter period as may be required by Law. Participant hereby agrees that, if any material defect or inaccuracy cannot be cured within such sixty (60) day period, or such shorter period if applicable, (1) it will, not later than ninety (90) days after notice to it respecting such defect or inaccuracy as to a Program Loan with an outstanding principal balance, repurchase the related Program Loan from the Board at a price equal to (i) the outstanding principal balance of such Program Loan plus (ii) any accrued and unpaid interest at the annual rate borne by the Program Note to the date of the repurchase, and (2) in all cases, whether or not the Program Loan has been repaid or otherwise satisfied, it will indemnify and hold harmless the Board, its agents, and Administrator for any loss, forfeiture, penalty, damage or expenses (including reasonable attorney's fees) incurred by them with respect to the defective Program Loan; provided, however, that for the purpose of this Section 4.07, the falsity of a representation by a Mortgagor respecting some fact or facts which (a) the Participant is entitled to rely upon under the provisions of this Guide, (b) is of such nature that although false, security for any payment of the pertinent Program Loan is not thereby adversely affected, and (c) is relied upon by the Participant in good faith, shall not be deemed a material defect or inaccuracy. The Purchase Price of the Program Loan being repurchased shall be remitted by Participant to the Board, with notice to the Administrator of the amount of such remittance and the Program Loan concerned and, upon receipt by the

Board of written notification of compliance with all of the terms of this Section by such Participant from the Administrator, the Board shall assign and deliver the related Mortgage Documents to the Participant. Participant hereby waives any statute of limitations or other Law that might otherwise be raised in defense to any repurchase obligation hereunder.

[END OF ARTICLE IV]

ARTICLE V

Duties of the Board and Administrator

Section 5.01. Issuance of Bonds. The Board hereby agrees to use its best efforts to issue its Bonds in an amount sufficient to pay all expenses incurred in connection therewith and to purchase at the Purchase Price the Program Loans originated by the respective Participants.

Section 5.02. Issuance of Notices. The Board hereby agrees to issue notices as may be necessary to fulfill the obligations of the Board hereunder or to effectuate the purposes of the Program and this Guide.

Section 5.03. Board to Purchase Program Loans. The Board hereby agrees to Purchase from funds available for such purpose, all Program Loans which are approved pursuant to Section 4.04 hereof at the Purchase Price.

Section 5.04. Review of Participant's Performance. The Board shall periodically review the performance of Participant, as reflected by the reports and recommendations of Administrator and such other evidence as may be presented to the Board, to determine if Participant is performing in accordance with the standards required by this Guide. If the Board, in its sole discretion determines that Participant is not performing in accordance with such standards, the Board, or Administrator on behalf of the Board, shall notify Participant of any such deficiency, and if such deficiency is sufficient to warrant termination of Participant by Board, then the Participant shall be notified that its services are being terminated and the date on which such termination shall be effective.

Section 5.05. Reimbursement of Expenses. The Board may, to the extent moneys are available under the Resolution, approve Participant's request for reimbursement of all reasonable expenditures relative to foreclosure proceedings, the defense of any lawsuit to defend title to any property subject to a Mortgage or any property acquired as a result of a foreclosure, repairs to any property subject to a Mortgager advances by Participant due to deficiencies in the amount of Escrow Payments held by Participant, or for any other purpose which in the judgment of the Board is an appropriate expenditure made or to be made by Participant.

Section 5.06. Assignment of Authority. The Board has assigned all of its responsibilities and duties hereunder, except its responsibilities and duties relating to the Bonds, the release or assignment of Program Loans, and termination of Participants, to Administrator pursuant to the Administration Agreement. The Board may also assign, from time to time, to the extent permitted by Law, all or a portion of its authority, rights and/or duties under the Guide to members of its board of directors or staff or to experts, consultants, or other persons or entities retained by the Board. Upon notice to Participant of the taking of any action pursuant to this Section 5.06, Participant shall deal with any such assignee in accordance with the terms set forth in the notice of an assignment hereunder or such assignment, until notice to Participant of any modification or termination of such assignment.

Section 5.07. Review of Program Loans. The Administrator, prior to the applicable Purchase Date, will review the Mortgage Documents pertaining to each Program Loan submitted by Participant for Purchase, to determine whether, according to the Mortgage Documents, the Program Loan appears to be in compliance with the Program Guidelines and this Guide. In the event the Mortgage Documents pertaining to any Program Loan are, in the judgment of Administrator, defective or the Program Loan is otherwise not acceptable for Purchase in accordance with the terms of this Guide, the Administrator may return the Mortgage Documents to Participant for curative action, specifying the defect or, the Administrator, in its discretion, may hold such Mortgage Documents pending correction of the defect, as specified in a notice or otherwise communicated to Participant.

Section 5.08. Execution of Documents. The Board shall cause to be executed and delivered instruments of assignment or conveyance and all other documents which are reasonably required to be executed and delivered by the Board in connection with the Program and which are not inconsistent with the provisions hereof or of the Resolution. If Participant shall be required to repurchase a Program Loan in accordance with the terms of this Guide, the Board, against payment therefor, shall cause to be executed and delivered all documents necessary or appropriate to assign and convey the Program Loan to Participant, without recourse. In the event any Program Loan submitted for Purchase is not approved for Purchase pursuant to this Guide, the Board upon request by Participant, shall execute and deliver or cause to be executed and delivered all documents necessary or appropriate to reassign such-loan to Participant, without recourse. All documentation shall be prepared and submitted by the Participant with its request, and shall be subject to the approval of the Board.

Section 5.09. Consultation Concerning Guide and Program Guidelines. In case Participant has a question concerning its duties or responsibilities under the Guide or the Program Guidelines, the Administrator shall be available for consultation and advice. The Administrator shall also be available for consultation and advice regarding any action or non-action recommended by Participant with respect to any Program Loan, any property subject to a mortgage, any foreclosure, or any foreclosed property, easement or condemnation problems and claims under any insurance policy pertaining to the Program Loan and such property.

[END OF ARTICLE V]

ARTICLE VI

Servicing Duties of Participant

Section 6.01. Participant to Act as Servicer. Subject to the provisions of Section 6.14, Participant shall service the Program Loans. Participant shall have full power and authority, acting alone, to do and perform any and all things which it may deem necessary or desirable to carry out its servicing responsibilities hereunder, unless contrary to the express provisions of this Guide.

Section 6.02. Standards of Servicing. Except as provided in Section 6.14, Participant agrees to service, as required hereunder, the Program Loans in accordance with the Loan Servicing Guidelines, this Guide and, where applicable, with all applicable VA, FHA, GNMA, FNMA, FHLMC rules, regulations, procedures and guidelines.

Section 6.03. Collection of Revenues and Escrow Payments. Each Mortgagor shall be instructed that checks, money orders or other remittances in payment of his Program Loan must be paid to the order of the Participant servicing such Program Loan by making payments to Participant. All moneys collected by Participant pertaining to the Program Loans may be deposited into a clearing account maintained by Participant, provided however, all Revenues shall be received in trust by Participant, in accordance with the terms of this Guide and subject to the lien of the Resolution, and shall be promptly deposited in a Custodial Account on a daily basis. The deposits in such Custodial Account as well as any clearing account shall be insured by FDIC or FSLIC. Participant shall remit to the Board or its designee, after deduction of its Service Fee, on or before the fifteenth (15th) day of each calendar month, all Revenues deposited or held in the Custodial Account from the first (1st) day of such month through the tenth (10th) day of such month and on or before the fifth (5th) Business Day of each calendar month, all Revenues deposited or held in the Custodial Account on or before the last day of the preceding calendar month which have not previously been remitted, except that (i) any Insurance Proceeds shall be held in the Custodial Account pending the determination of whether such moneys shall be applied to the repair of the related property or constitutes Principal Prepayments, and (ii) any Principal Prepayment representing payment in full of a Program Loan shall be remitted immediately upon receipt. The preceding sentence notwithstanding, if at any time the amount on deposit in the Custodial Account shall exceed the lesser of \$50,000 or the amount insured by FDIC or FSLIC, as the case may be, Participant shall immediately remit to the Board or its designee the Revenues on deposit in the Custodial Account. Participant shall provide the Administrator, simultaneously with each remittance made by Participant pursuant to this Section 6.03, with a Statement of Loan Paid in Full, as applicable, and a copy of the deposit slip evidencing such deposit, and shall provide the Administrator with a Participant Remittance Reconciliation on or before the tenth (10th) day of each calendar month. Late remittances shall be penalized pursuant to the penalty calculations outlined in the Program Guidelines. All moneys received as Escrow Payments by Participant shall be received in trust for the owners of the Mortgage Loans and the applicable Mortgagor and shall be deposited by Participant in such account or accounts as Participant is required to maintain for like payments made with respect to mortgages which are being serviced for FNMA or FHLMC pending application of such moneys pursuant to Section 6.06. Participant shall maintain a record of the source of each Escrow Payment and the total of such payments on deposit from each Mortgagor. Escrow Payments shall be held in an account or accounts

fully insured by FDIC or FSLIC or, to the extent such amount or amounts are in excess of such available insurance, the excess amount shall be continually secured by Government Obligations. Interest earned, if any, on the Escrow Payments held by Participant shall not be required to be paid or credited to the Mortgagor unless required by Law.

Section 6.04. Service Fee. As compensation for its activities hereunder and in consideration for servicing the Program Loans for which it is responsible, Participant shall retain the Service Fee earned by it. The Service Fee shall be considered to be earned for any particular month with respect to each Program Loan for which the payment of all principal and interest due for such month (i) has been received by Participant and (ii) has been remitted by Participant to the Board or its designee. In addition, except as limited by applicable Law and available funds, Participant may be entitled to additional reimbursement for expenses incurred by Participant in connection with the receipt of Insurance Proceeds or Liquidation Proceeds upon requisition therefor, which requisition shall be submitted to the Administrator in accordance with Section 5.05 hereof. Additional servicing compensation in the form of late payment charges or otherwise, if any, may be paid to or retained by Participant to the extent permitted by Law and to the extent not contrary to the terms of the Guide.

Section 6.05. Liability of Participant for Expenses. Participant shall be required to pay all expenses incurred by it in connection with its servicing activities hereunder and shall not be entitled to reimbursement thereof, except as specifically provided in Section 5.05 hereof or otherwise authorized under any of the Program Guidelines. Participant also agrees to pay (i) all costs or expenses resulting from failure by Participant to timely file claims for losses relating to Mortgage Loans (including the failure to file claims under the insurance policies or bond referred to in Section 6.09, 6.10, or 6.11), (ii) all costs and expenses resulting from failure by Participant to foreclose Mortgages relating to deficient Program Loans in a manner consistent with Section 6.07 hereof and the Loan Servicing Guidelines, (iii) all costs and expenses incurred by the Administrator or the Board in investigating Participant's activities hereunder when, in the opinion of the Administrator or the Board, such investigation is warranted on the basis of adverse information about Participant, and (iv) all costs and expenses incurred by the Administrator or the Board in connection with replacing Participant as a servicer of Program Loans in the event of default of Participant under the terms and provisions of this Guide. Unless the Loan Servicing Guidelines otherwise require, Participant shall, prior to expending any moneys reimbursable under Section 5.05 hereof, submit a request for reimbursement or an estimate of expenses anticipated to be incurred, to the Administrator.

Section 6.06. Collection of Taxes, Assessments and Similar Items. Participant shall hold in trust for the benefit of the owners of the Mortgage Loans and the respective Mortgagors for which it services Mortgage Loans all moneys received by it representing Escrow Payments. Participant shall, from time to time, obtain bills for all such items and effect payments thereof with checks drawn on the appropriate account maintained by it with respect to Escrow Payments pursuant to Section 6.03 hereof, prior to the applicable penalty or termination date. In the event any Mortgagor's escrow account is insufficient for a payment required to be made from such account, Participant shall advance such moneys to make the required payment. All moneys advanced by Participant for payment of any item for which an escrow is required under the Mortgage shall be secured under the mortgage and may be recovered by Participant from the Mortgagor in the manner provided in the Loan Servicing Guidelines. Participant shall maintain adequate records of proof of payment of all such items. In case of a refund of a premium on a prepaid insurance policy, such refund shall be credited to the Mortgagor's escrow account except with respect to a payoff or transfer of such policy in which case the

premium shall be refunded to the Mortgagor.

Section 6.07. Participant to Conduct Foreclosures (For Program Loans other than Home Improvement Loans). Any default under the Program Loan constitutes a default under the Mortgage Loan and, conversely, any default under the Mortgage Loan constitutes a default under the Program Loan. The Participant should protect the Board's investment by taking prudent action. This may involve foreclosure of the mortgage. Participant is required to comply with any applicable VA, FHA, FMHA or other Qualified Insurer's requirements. Servicer shall report monthly to the Administrator the status of loans 90 days or more delinquent, including foreclosures, using the Individual Delinquency Report.

Section 6.08. Monthly Delinquency and Special Reports.

(a) On or before the tenth (10th) day of each month the Participant shall provide the following reports to the Administrator: (i) Participant Delinquency Report shall report on all Program Loans which were delinquent as of the last day of the preceding month; (ii) an Individual Delinquency Report which shall provide detailed information for each loan which was 60 days or more delinquent as of the last day of the preceding month (ie., Participant's actions to clear default, status of foreclosure proceedings, etc.); (iii) New Loans and Loan Removal Report, (iv) Curtailments and Prepaid Installments Report; (v) Trail Balance of all moneys relating to the Program Loans held by Participant in its Custodial Account; and (vi) any such other reports or information as may be reasonably required by Administrator

(b) Participant shall pay to Administrator a penalty fee for late submission of the reports and/or the submission of poor quality/inaccurate reports pursuant to the penalty calculations outlined in the Program Guidelines.

Section 6.09. Maintenance of Standard Hazard Insurance (For Program Loans other than Home Improvement Loans). Participant shall require that each Mortgagor obtain and maintain for each Loan a Standard Hazard Insurance Policy and flood insurance where necessary on the property subject to a Mortgage issued by a Standard Hazard Insurer and in full compliance with all applicable requirements of the insurer insuring such Mortgage Loan. Any such policy including flood insurance, if any, shall be in form and substance acceptable for mortgages which are sold to or serviced for FNMA or FHLMC. Such policy shall be in an amount which is not less than the maximum insurable value (i.e., replacement value without deduction for depreciation) of the property securing the Mortgage Loan or the principal balance owing on such Mortgage Loan, whichever is less. In all events, such coverage shall be in an amount sufficient to ensure that the Board could not become a coinsurer under the terms and conditions of the applicable policy, and such coverage shall be at least as protective as fire and extended coverage, insuring the Board as mortgagee under a standard mortgage clause to the full extent of its interest in the property subject to the Mortgage. Such policies shall not be cancelable by the insurer without ten (10) days prior notice to Participant. Participant shall retain custody of such policies and renewals thereof, as agent of the Board, and annually shall issue a certificate to the Administrator certifying that the above requirements have been met. Participant's obligation to require such insurance to be maintained shall be absolute, regardless of any failure or refusal by any Mortgagor to pay in timely fashion the premium due thereon, and Participant agrees with respect to the Program Loans serviced by it, to indemnify and hold the Board harmless against any loss suffered by it as a result of the absence of hazard

insurance or the lack of hazard insurance sufficient in amount to protect the Board's interest with respect to any property encumbered by a Mortgage. Compliance with Section 6.10 hereof by Participant shall be deemed compliance by Participant with its financial obligations under this Section to the extent the insurance maintained under Section 6.10 provides for the payment of such obligations.

Participant shall settle any fire and hazard insurance claim and supervise or authorize expenditure of insurance proceeds from such claim for the repair of the damaged property, in accordance with the terms of the Mortgage, any applicable VA, FHA or Primary Insurance requirements and any applicable laws.

Participant shall adhere to all applicable laws regarding application of insurance proceeds, any applicable VA, FHA or Primary Insurance requirements, and prudent practices concerning notification, inspection and approval. Participant shall take any action necessary to protect the priority of the Mortgage, such as obtaining waivers of materialmen or mechanics' liens.

Participant, instead of Veterans' Land Board, may be named as payee on insurance loss drafts and is authorized to endorse them. Participant shall place all insurance proceeds in a custodial account pending application. If proceeds are applied to restoration, any excess proceeds shall be applied against the mortgage debt unless other disposition has been approved by the Administrator.

Section 6.10. Maintenance of Private Mortgage Insurance. Participant shall cause to be maintained with respect to each Conventional Loan evidenced by two Notes, and serviced by it, a Private Mortgage Insurance Policy issued by a Qualified Insurer in accordance with the Program Guidelines and insuring the payment of such Mortgage Loan, at least to the extent that the principal amount of the Mortgage Loan at the time of its Closing exceeds 80% if the Appraised Value or sales price (whichever is less) of the property subject to the related Mortgage, in an amount so that the uninsured portion of such Program Loan together with the balance of any other loan secured by the Mortgage does not exceed 72% of the Appraised Value or sales price (whichever is less), which insurance will be maintained until such loan-to-value ratio is reduced to 75% of the original Appraised Value or Sales Price (whichever is less). All premiums advanced by Participant in maintaining any such insurance shall be secured under the Mortgage. Any amounts collected by Participant under any such policy with respect to the Program Loan shall be remitted to the Board or its designee.

Section 6.11. Maintenance of Fidelity Bond and Errors and Omissions Insurance. Participant hereby agrees to obtain and maintain at its own expense, and shall furnish the Administrator satisfactory evidence of, a Fidelity Bond and an Errors and omissions Insurance Policy in full force and effect throughout the term of this Guide covering Participant's officers and employees and other persons acting on behalf of Participant in its capacity as Participant with regard to the Program Loans. The amount of coverage shall be at least equal to the coverage that would be required by FNMA or FHLMC with respect to Participant, if Participant were servicing these Program Loans for FNMA or FHLMC in addition to other mortgages being serviced by Participant for FNMA or FHLMC. In the event that any such bond or policy shall cease to be in effect Participant shall obtain from an issuer or insurer licensed in the State and acceptable to the Board a comparable replacement bond or policy, as the case may be. Any amounts collected under such bond or policy relating to Participant's activities in originating or servicing the Program Loans shall be remitted to the Board or its designee. No provision of this Section 6.11 shall operate to diminish, restrict or otherwise limit Participant's

responsibilities and obligations as set forth in the Guide.

Section 6.12. Annual Reports. On or before 120 days after the end of Participant's fiscal year, Participant, at its expense, shall furnish to the Administrator (i) an opinion by a firm of independent certified public accountants on the financial position of Participant at the end of its fiscal year, and the results of operations and changes in financial position of Participant for such year then ended on the basis of an examination conducted in accordance with generally accepted auditing standards, and (ii) a statement from the independent certified public accountants concerning compliance with servicing standards on the basis of an examination conducted substantially in compliance with the audit program for mortgages serviced for FNMA or FHLMC.

On or before November 1 each year, Participant shall provide to the Administrator a statement with respect to all Mortgage Loans being serviced by Participant certified by an officer, certifying that (i) all insurance is being maintained, is fully paid and complies with the Loan Servicing Guidelines, (ii) all taxes have been paid as and when due, (iii) all inspections have been made as required by the Loan Servicing Guidelines, and (iv) analysis has been made of each Mortgage Loan to ensure sufficient moneys are being collected in escrow for the current year, as applicable and (v) all information returns have been provided to the Internal Revenue Service as required on activity relating to the relevant Program Loans.

On or before November 1 each year, Participant shall forward to the Administrator, an annual statement, certified by an Officer, certifying that, to the best of his knowledge upon reasonable investigation, Participant's servicing of the Mortgage Loans has been conducted in compliance with the Loan Servicing Guidelines except for (i) such exceptions as such Officer shall believe to be immaterial and (ii) such other exceptions as shall be set forth in such statement. Contemporaneously with such annual statement, Participant shall also deliver to the Administrator, a certificate of an Officer stating that (i) a review of the activities of Participant during the preceding year with respect to performance under the Loan Servicing Guidelines has been made under such Officer's supervision, and (ii) to the best of such Officer's knowledge, based on such review, there is, as of such date, no default by Participant in the fulfillment of any of its obligations under the Loan Servicing Guidelines, or if there is any such default known to such officer, specifying each such default and the nature and status thereof.

Section 6.13. Assumptions. Participant is not authorized to approve an assumption request with respect to a Program Loan from any mortgagor in connection with a transfer of a Home subject to a Program Loan unless (i) an Assumption Agreement is entered into by the person to whom the Home is to be or has been conveyed which provides for the assumption of the indebtedness by such person, (ii) the Eligible Borrower transferring the Home has occupied the Home as his Principal Residence for a period of three years from the Closing Date, unless such requirement is waived by the Board, (iii) the Mortgage Loan shall continue to be insured or guaranteed under any applicable insurance policies described in Section 6.09-6.10, and (iv) the terms of all rules of the Board have been met and the approval of the Board has been obtained or deemed to have been granted. Participant shall determine the qualifications of the person to whom the property is to be conveyed and shall, if such person is found to be qualified to assume the Program Loan under the Program Guidelines and the above stated provisions of this Section, obtain the Board's consent to such release of the Mortgagor, shall prepare an Assumption Agreement meeting the requirements of the Program Guidelines and shall obtain the requisite signatures on same. Participant may collect, to the extent permitted by Law, in connection with the preparation of the Assumption Agreement, in addition to the amounts specified in Section 4.03, an assumption

fee from the Mortgagor or the person to whom the property is being or has been conveyed in an amount not in excess of the normal and customary fee for such services when rendered in connection with a mortgage loan not within the Program and not in excess of the amount permitted by FHA, VA, FNMA or FHLMC. If the Mortgagor does not occupy the property purchased with the proceeds of such loan as his principal residence for a period of three years from the date of the purchase of such property, or if he shall lease, transfer, sell or convey, in whole or in part, his interest in such property, the Board, as holder of the Program Note, may require escalation of the interest rate on the Program Note or acceleration and immediate payment of principal of and interest due on the Program Note, and/or may pursue such other remedy or course of action as it may deem appropriate and in the best interest of the Program. The interest rate on the Program Note shall not be changed in connection with any qualified assumption of a Program Loan. Participant shall deliver a certificate, executed by an Officer, to Administrator at the time of a transfer of a Home to the effect that the Assumption Agreement prepared in connection therewith meet the terms of the Section. The Assumption Agreement shall be delivered to the Administrator, inserted in the related mortgage file and thereafter deemed a Mortgage Document.

Section 6.14. Assignment of Servicing Obligations. (a) At any time during the terms of this Guide, Participant may, with the prior written consent of the Administrator, which consent shall not be unreasonably withheld, assign its servicing rights and obligations relating to the Program Loan pursuant to this Guide to another Participant in good standing under the Guide or to the Administrator. Any agreement to assign servicing rights and obligations shall provide that the assignee Participant or Administrator must assume the servicing obligations of this Guide with respect to the assigned Program Loans for the same Service Fee that would otherwise have been paid to the assignor; provided, however, that the obligations in Section 4.07 of this Guide shall survive such assignment as obligations of the assignor Participant. Any transfer of Participant's entire servicing portfolio, including all Program Loans serviced for the Board hereunder, which does not otherwise constitute a sale of all or substantially all of Participant's assets or such other transaction within the scope of Section 2.01(i) hereof, shall be deemed to be within the terms of a permitted transfer under Section 2.01(i) provided all of the other requirements of Section 2.01(i) are met; and (b) unless otherwise approved by the Administrator, each Participant shall assign to the Administrator the right to service each Home Improvement Loan originated by such Participant pursuant to "Servicing Assignment Instructions" provided by the Administrator.

[END OF ARTICLE VI]

ARTICLE VII

Sales of Program Loans

Section 7.01. Right of Sale. The Board may, at its option, sell all of the Program Loans, either singularly or in combination with other Program Loans, to Participants, or any other person or entity at any price. All obligations of Participant with-respect to any Program Loan sold by the Board shall cease thirty (30) days after the consummation of a sale by the Board and, on the date that is thirty (30) days after the consummation of the sale, such Program Loan shall be deemed to be removed from the Board's portfolio of Program Loans for purposes of calculating the Service Fee. No cancellation fee will be due and owing or paid to Participant by reason of the Board's sale of any Program Loan. However, nothing herein shall preclude Participant from entering into an agreement with the purchaser of any Program Loan to continue the servicing of such Program Loan.

[END OF ARTICLE VII]

ARTICLE VIII

Termination and Liabilities

Section 8.01. Participant Not to Resign. Participant shall not have the right to resign from the obligations and duties hereby imposed on it 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 evidenced by an opinion of counsel satisfactory to the Board to such effect delivered to the Administrator. No such resignation shall become effective until the Administrator or a successor servicer shall have assumed Participant's responsibilities and obligations. Except as permitted by Section 2.01(i) or Section 6.13, no Participant shall have the right or privilege to assign or transfer its rights and duties under this Guide.

Section 8.02. Involuntary Termination of Participant. The Board or the Administrator with the consent of the Executive Secretary of the Board may terminate a Participant under the Program upon the happening of any one or more of the following events:

- (a) Failure of Participant to remit to the Board or its designee pursuant to Section 6.03, any Revenues received by Participant as required by this Guide.
- (b) A representation or warranty of Participant to the Board shall be false in any material respect.
- (c) Failure of Participant to comply in all respects with its obligations under Section 3.01 of this Guide.
- (d) Failure of Participant to duly observe or perform in any material respect any other covenant, condition or agreement in this Guide to be observed or performed by Participant other than as referred to in Section 8.02(a), (b) or (c) hereof, for a period of thirty (30) days after a written notice to Participant from Administrator specifying such failure and requesting that it be remedied; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the person giving such notice shall consent to a reasonable extension of time if corrective action is instituted by Participant within the applicable period and diligently pursued until fully corrected.
- (e) The entry of a decree or order of a court, agency or supervisory authority having jurisdiction in the premises appointing a conservator, receiver or liquidator in any insolvency, readjustment of debt, marshaling of assets and liabilities or providing for similar proceedings affecting Participant or substantially all of its properties, or for the winding-up or liquidation of its affairs, if such decree or order shall have remained in force undischarged or unstayed for a period of sixty (60) days.

(f) Consent by Participant to the appointment of a conservator, receiver or liquidator in any insolvency, readjustment of debt, marshaling of assets and liabilities ..or similar proceeding affecting Participant or substantially all of its properties.

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

If any of the events specified in (e), (f) or (g) shall occur, Participant shall give written notice of such occurrence to Administrator and the Board within two (2) days of the happening of such event.

Section 8.03. Termination Without Cause. On or after ten (10) years from the Issuance Date, the Board may terminate Participant's rights to service Program Loans without payment of compensation of any kind to Participant.

Section 8.04. Transfer of Terminated Participant's Servicing. Upon termination of Participant, Participant shall immediately deliver or cause to be delivered to the Administrator all moneys held in escrow relating to the Program Loans serviced by Participant, and to the Board or its designee all Revenues received by such Participant not theretofore remitted to the Board or its designee, and shall, within thirty (30) days of said termination, deliver or cause to be delivered to Administrator all files of Participant relating to the Program Loans serviced by such Participant. Participant hereby authorizes and empowers the Board to execute and deliver, on behalf of Participant, as attorney-in-fact or otherwise, any and all documents and other -instruments, and to do or accomplish all other acts or things necessary or appropriate to effect the purposes of this Article VIII. Participant agrees to indemnify and hold the Board and Administrator harmless from any and all loss, damage and expenses (including reasonable attorney's fees) that any of them may incur in securing the delivery of all files, the transfer of all escrows, or the remittance of all Revenues received by Participant with respect to any Program Loan serviced by Participant.

Section 8.05. Participant's Excused Nonperformance. Notwithstanding anything in the Guide to the contrary, there shall be no termination of, and no liability under, this Guide with respect to Participant for its failure to duly observe or perform in any material respect any covenant, condition, or agreement to be observed or performed by Participant, if such failure on the part of Participant is directly caused by the failure of the Board to duly observe or perform in any material respect any covenant, condition, or agreement to be observed or performed by the Board.

Section 8.06. Participant to Pay Attorneys' Fees. If it is determined in a judicial proceeding that Participant has failed to perform under any provision of this Guide, and if the Administrator or the Board shall employ attorneys or incur other expenses for the enforcement, performance, or observance of the terms of the Guide on the part of Participant, then the Administrator or the Board, as the case may be, to the extent permitted by Law, shall be reimbursed by Participant, on demand, for reasonable attorneys' fees and other out-of-pocket expenses.

Section 8.07. No Liability for Removal of Participant. Notwithstanding any provision in this Guide to the contrary, neither the Board nor the Administrator shall be liable in any respect for the termination of Participant for cause or owe any duty to Participant if terminated for cause.

Section 8.08. No Remedy Exclusive. Unless otherwise expressly provided, no remedy herein conferred upon or reserved to any party, is intended to be exclusive of any other available remedy, but each remedy shall be cumulative and shall be in addition to other remedies given under this Guide or existing at law or in equity. No delay or omission to exercise any right or power accruing under this Guide shall impair any such right or power, or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Board to exercise any remedy reserved to it or to the Administrator for its behalf, in this Article VIII, it shall not be necessary to give any notice, other than such notice as may be required in this Article VIII.

Section 8.09. Transfer of Servicing of Terminated Participant. Notwithstanding any other provision contained herein, until such time, if any, as servicing is transferred or terminated the Mortgage Loan shall be serviced solely by the Participant. In the event servicing is transferred or terminated by the Participant, pursuant to Section 6.14, or the holder of either the Program Loan or the holder of a loan secured on a parity with the Program Loan, the servicing will be transferred to a servicer, mutually acceptable to the holders of the Mortgage Loan. In the event the note holders are unable to agree on an acceptable servicer, the holder of the loan secured on a parity with the Program Loan will designate a Participant in good standing under the Program to service the Mortgage Loan. No cancellation, transfer or termination fees of any kind will be due and owing or paid to a Participant resulting from the sale, transfer or termination of the Mortgage Loan. The Board and the Participant agree to authorize and empower the Administrator to execute and deliver any and all documents to effect the transfer of the Mortgage Loan.

[END OF ARTICLE VIII]

ARTICLE IX

Miscellaneous Provisions

Section 9.01. Amendments, Changes and Modifications. This Guide may be amended, supplemented, changed, modified, or altered by an instrument in writing executed by the Board, which specifically refers to this Guide and which is executed by Participant if Participant is materially adversely affected by such amendment, change, modification or alteration. Any amendment, supplement, change, modification or alteration shall, upon notice to Participant, have the same force and effect as if originally contained in this Guide.

Section 9.02. Recordation of Guide. Each party agrees that this Guide, or a memorandum of any portion or portions hereof, may be recorded in all appropriate public offices for real property records in all the counties or other comparable jurisdictions in which any or all of the properties subject to the Mortgage Loans are situated, and in any other appropriate public office or elsewhere. Participant agrees to execute, if necessary, copies of this Guide, or such other appropriate memorandum, in order to effect such recording.

Section 9.03. Limitation on Rights of Bondholders. No Bondholder shall have any right to institute a suit with respect to this Guide except as provided in this Guide and the Resolution and for the equal benefit of all Bondholders. This Section may be enforced by any Bondholder.

Section 9.04. Governing Law. This Guide shall be construed in accordance with the Laws of the State, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such Laws.

Section 9.05. Notices. All notices, certificates or other communications hereunder shall be in writing and shall be deemed given when delivered or five (5) days after mailing by certified or registered mail, postage prepaid, return receipt requested, addressed to the appropriate Notice Address. The Board, Administrator or Participant may, by notice given hereunder, designate any further or different address to which subsequent notices, certificates and other communications shall be sent to it.

Section 9.06. Severability. In the event any provision of this Guide shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate nor render unenforceable any other provision hereof. Such invalid or unenforceable provision shall be amended, if possible, in accordance with Section 9.01 hereof in order to accomplish the purposes of this Guide.

Section 9.07. Further Assurances and Corrective Instruments. To the extent permitted by Law, the Board and Participant agree that each will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required or appropriate to further express the intention, or to facilitate the performance of this Guide.

Section 9.08. Term of Guide. This Guide shall continue in full force and effect for so long as the Board owns any Program Loans or any Bonds are outstanding, whichever is later, or until sooner terminated in accordance with the terms hereof.

Section 9.09. No Rights Conferred on Others. Nothing in this Guide shall confer any right upon any person other than the Board, the Administrator and Participant, provided however, the Bondholders may, subject to the limitations of the Resolution, enforce any of the rights of the Board hereunder if the Board has committed an event of default under the Resolution which remains uncured.

Section 9.10. Limitation on Liability of Participant. Participant shall be liable under the Program only to the extent that obligations are explicitly imposed upon the Participant.

Section 9.11. Limitation on Liability of Directors, officers, Employees and Agents of a Participant. No director, officer, employee or agent of Participant shall be liable to the Board, the Administrator or to the Bondholders for the taking of any action or for refraining to take any action in good faith pursuant to this Guide or for errors in judgment.

Section 9.12. Incorporation by Reference. The Invitation to Participate, the Application to Participate and the Program Guidelines are incorporated herein for all purposes.

Section 9.13. Survival of Obligations and Covenants. Notwithstanding anything to the contrary herein, the expiration of this Guide or the termination or resignation of Participant under this Guide shall not affect any obligations of such Participant under Section 4.07 hereof.

Section 9.14. Counterparts. This Guide, if executed under Section 9.02 hereof or otherwise, may be executed in any number of counterparts, each of which shall be an original, however, all such counterparts shall together constitute one and the same instrument.

Section 9.15. Headings. The headings of the various sections of this Guide have been inserted for convenience of reference only, and shall not be deemed to be a part of this Guide.

Section 9.16. Gender. Words of any gender used in this Guide shall be held and construed to include any other gender, and words in the singular shall be held and construed to include the plural, unless this Guide or the context otherwise requires.

Section 9.17. Forms and Reports. All forms or reports required by this Guide will be prescribed by the Administrator from time to time and may be amended, supplemented, or replaced as the Administrator shall deem appropriate.

Section 9.18. Notice of Resolution. Participant acknowledges notice of the fact that the Board will adopt the Resolution for the benefit of the Bondholders and further acknowledges that the Board intends to subject the Revenues and the Program Loans, among other things, to the lien of the Resolution, which lien may be effective as provided by Law.

Section 9.19. Limitation of Liability. Notwithstanding anything herein to the contrary, no recourse shall be had for any claim based upon any obligation or covenant in this Guide against any past, present or future member, officer, director or employee of the Board or any successor entity, either directly or indirectly, under any rule of law or equity, statute or constitution. This Guide is entered into by the Board under and pursuant to the provisions of the Act. No provision hereof shall be construed to impose a charge against the

general credit of the Board or any personal or pecuniary liability upon the Board except to apply the proceeds from the sale of the Bonds and moneys received by it under the terms of this Guide as herein provided.

Section 9.20. Access to Mortgage Documents and Information. The Participant shall provide to the Board and its examiners and supervisory agents and to the Administrator, access to the Participant's Mortgage Documents and all other documents or information maintained by Participant which relate to the Program Loans, during normal business hours and, except under circumstances relating to the termination of Participant under Section 8.02, upon reasonable notice to Participant. Access to the Mortgage Documents and other documents or information shall be provided at no charge at any of the offices of Participant in the State which Participant may designate.

Section 9.21. Merger or Consolidation of Participant. Any entity into which Participant may be merged or consolidated, or any entity resulting from any merger, conversion or consolidation to which Participant shall be a party, or any entity succeeding to the business of Participant, shall be the successor of Participant hereunder without the execution or filing of any document or instrument, except as provided in Section 2.01(i) of this Guide, or any further act on the part of any of the parties hereto.

Section 9.22. VA, FHA, GNMA, FNMA and FHLMC Rules and Regulations to Prevail. Whenever the terms or provisions of this Program conflict with the policies, procedures, guidelines, rules or regulations of VA, FHA, GNMA, FNMA or FHLMC, such policies, procedures, guidelines, rules or regulations of VA, FHA, GNMA, FNMA or FHLMC shall prevail.

[END OF ARTICLE IX]