

MORTGAGE PURCHASE AGREEMENT

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ILLINOIS HOUSING DEVELOPMENT AUTHORITY
SINGLE FAMILY MORTGAGE PURCHASE PROGRAM III
MORTGAGE PURCHASE AGREEMENT

THIS MORTGAGE PURCHASE AGREEMENT (this "Agreement"), dated as of _____, 20__, by and between the **ILLINOIS HOUSING DEVELOPMENT AUTHORITY** (the "Authority"), a body politic and corporate of the State of Illinois, established pursuant to the Illinois Housing Development Act, 20 ILCS 3805/1 *et seq.* (the "Act"), having its office at 401 N. Michigan Ave., Suite 700, Chicago, Illinois 60611, and _____ (the "Lender"), having its principal office at _____;

W I T N E S S E T H:

In consideration of the mutual agreements contained in this Agreement, the Authority and the Lender agree as follows:

Section 1. Definitions.

As used in this Agreement the following words and terms shall have the following meanings:

"Acquisition Cost": The total cost of acquisition of a Qualified Dwelling, computed in the manner prescribed in the Affidavit of Buyer.

"Affidavit of Buyer": The affidavit or affidavits in the forms prescribed by the Authority from time to time to be completed by persons applying for a Mortgage Loan, as such forms are completed.

"Affidavit of Seller": The affidavit or affidavits in the forms prescribed by the Authority from time to time to be completed by the seller of a residential housing unit that is sought to be acquired with the proceeds of a Mortgage Loan, as such forms are completed.

"Area of Chronic Economic Distress": An area designated by the State as meeting the standards established by the State for purposes of Temporary Regulations, Section 6a.103A-2(b) (5) under the Internal Revenue Code of 1954, as amended, or such comparable regulations as may be promulgated under the Internal Revenue Code of 1986, as amended, and the designation of which has been approved in accordance with such regulations.

"Bonds": The Authority's Homeowner Mortgage Revenue Bonds issued pursuant to the General Resolution to provide permanent financing for the Program.

"Business Day": A day other than a Saturday, Sunday or other day on which the

offices of the Authority are closed.

"Eligible Borrower": A person:

- (1) who is or will be a resident of the State within sixty (60) days of the closing of the Mortgage Loan;
- (2) whose Household Income does not exceed the amount for the area in which the Qualified Dwelling being financed by the Mortgage Loan is located, as determined by the Authority; this amount may be amended from time to time without the consent of the Lender;
- (3) who intends to use the Qualified Dwelling being financed by the Mortgage Loan as his or her permanent residence within sixty (60) days after the closing of the Mortgage Loan. A residence that is primarily intended to be used in a trade or business (including, without limitation, any residence of which more than fifteen percent (15%) of the total area is reasonably expected to be used primarily in a trade or business) does not satisfy the requirements of this subparagraph (3). Further, a residence used as an investment property or recreational home does not satisfy the requirements of this subparagraph;
- (4) who has not had any present ownership interest in a principal residence at any time during the three (3) year period prior to the date on which the Mortgage is executed. The person's interest in the Qualified Dwelling being financed by the Mortgage Loan shall not be taken into account for purposes of this subparagraph (4). Present ownership interest includes all forms of ownership other than: (i) an ordinary lease, with or without purchase option; (ii) the interest of a buyer under a Standard Residential Purchase Contract; (iii) an expectancy to inherit property; (iv) a remainder or reversionary interest; and (v) an ownership interest in a residence that is not occupied as a principal residence, such as a vacation home or rental property, and that has not been occupied as a principal residence during the three (3) year period prior to the date on which the Mortgage is executed. The requirements of this subparagraph (4) are not applicable if the Mortgage Loan is being made to finance a Targeted Area Residence;
- (5) who has not had a mortgage (whether or not paid off) on the Qualified Dwelling being financed at any time prior to the execution of the Mortgage pertaining to such Qualified Dwelling, excluding any mortgage relating to a construction period loan, or a bridge loan or similar temporary initial financing, and having a term not in excess of twenty-four (24) months; and
- (6) who holds or will hold title to the real estate in her/his own name and not by

means of a land trust.

"FDIC": The Federal Deposit Insurance Corporation or any successor agency.

"FHA": The Federal Housing Administration.

"FHLMC": The Federal Home Loan Mortgage Corporation.

"FNMA": The Federal National Mortgage Association or Fannie Mae.

"General Resolution": The Authority's Homeowner Mortgage Revenue Bonds General Resolution adopted July 15, 1994, as amended and supplemented.

"Household Income": The total annual gross income of the Eligible Borrower(s), and any other person who is expected to live in the Qualified Dwelling and be secondarily liable on the Note, from whatever source derived and before taxes and withholdings.

"Interest Rate": The rate(s) of interest specified by the Authority from time to time on the Authority's website.

"Lender": The bank, savings and loan association, credit union or mortgage banker signatory to this Agreement; the Lender shall be licensed to do business in the State.

"Mortgage": A deed of trust, mortgage deed, mortgage or other instrument creating a first mortgage lien on a fee interest in real property located within the State.

"Mortgage Loan": A loan made by the Lender to an Eligible Borrower for the purchase of a Qualified Dwelling and secured by a Mortgage on such Qualified Dwelling.

"Mortgage Purchase Date": The date of payment by the Authority for any Mortgage Loan purchased under this Agreement.

"Net Proceeds": All moneys made available by the Authority in connection with the sale of Bonds, or otherwise, for the purchase of Mortgage Loans.

"Note": The document executed as evidence of the Eligible Borrower's indebtedness under the Mortgage Loan and any supplements to and modifications or amendments of it.

"Notice to Homebuyer": The Authority's notice to homebuyers, delivered to prospective Eligible Borrowers by a Lender informing the prospective Eligible Borrowers of the possible recapture by the Federal government of a portion of the subsidy deemed to have been received by such Eligible Borrowers in connection with the purchase of a Qualified Dwelling should they sell that Qualified Dwelling within nine (9) years of the date of its purchase.

"Pool Insurance": The policy or policies of insurance insuring the Authority's

exposure for loss with respect to defaults in Mortgage Loans purchased by the Authority pursuant to this Agreement.

"Pool Insurer": Any insurer that the Authority may select and that meets the requirements of Section 9.4.

"Prepayment": Any moneys, however derived, that are received or recovered by the Authority from any payment of, or with respect to, principal of any Mortgage Loan prior to scheduled payments of principal called for by such Mortgage Loan. However, no moneys received or recovered by the Authority from the repurchase of a Mortgage Loan by a Lender pursuant to Section 11 shall be a Prepayment.

"Procedural Guide": The manual prepared by the Authority setting forth the standards for underwriting Mortgage Loans, permitted fees, insurance requirements and other requirements in connection with the acceptance of applications for, and the processing and purchase of, Mortgage Loans.

"Program": The Authority's residential mortgage finance program, as authorized by the General Resolution.

"Property Value": The lesser of the Acquisition Cost or the appraised value of the Qualified Dwelling at the time of origination of the Mortgage Loan secured by a Mortgage on such Qualified Dwelling.

"Qualified Census Tract": A census tract in which seventy percent (70%) or more of the families have an income that is eighty percent (80%) or less of the Statewide median family income.

"Qualified Dwelling": A fee simple interest in real estate:

- (1) that is located in the State;
- (2) upon which there is located a structure or structures designed for residential use;
- (3) that is a single family residence; a condominium unit; stock or any other ownership interest in a cooperative housing corporation or organization; a one, two, three or four unit structure; or factory made housing that is permanently fixed to real property;
- (4) the Acquisition Cost of which does not exceed the amount for the area in which the Qualified Dwelling is located, as determined by the Authority; this amount may be amended from time to time without consent of the Lender; and
- (5) of which not more than fifteen percent (15%) of the total area is

reasonably expected to be used primarily in a trade or business.

"Qualified Dwelling" does not include:

- (1) factory-made housing not permanently fixed to real property;
- (2) property, such as an appliance or furniture, that is not a fixture under applicable law;
- (3) land that is not necessary to maintain the basic livability of a residence or that provides, other than incidentally, a source of income to the mortgagor; and
- (4) a two, three or four family residence that has not been first occupied as a residence at least five (5) years prior to the execution of the Mortgage; however, the limitation of this subparagraph (5) does not apply to newly constructed two-family residences located in Targeted Areas.

"Rules": The administrative rules of the Authority, as amended supplemented from time to time, specifically including 47 Ill. Adm. Code 260.

"Servicer": The Lender or such servicer as may be designated in accordance with the terms of this Agreement.

"Servicing Agreement": The servicing agreement between a Servicer and the Authority that sets forth the terms and conditions for the servicing of Mortgage Loans purchased by the Authority under this Agreement.

"Standard Residential Purchase Contract": A contract to purchase residential property, but not an Installment Agreement for Deed, Articles of Agreement for Deed, Land Sales Contract or any other form of ownership or financing which allows a purchaser to enjoy the benefits of ownership without owning title to the property.

"State": The State of Illinois.

"Targeted Area": An area of the State that is a Qualified Census Tract or an Area of Chronic Economic Distress and is included on a list of Targeted Areas included in the Procedural Guide or as otherwise announced by the Authority; this list may be amended from time to time by the Authority without consent of the Lender.

"Targeted Area Residence": A Qualified Dwelling located in a Targeted Area.

"USDA": The United States Department of Agriculture, Rural Development

"VA": The Veterans' Administration.

Section 2. **Agreement to Purchase.**

A. Subject to the terms and conditions of this Agreement, the Act and the Rules, the Authority agrees to purchase, and the Lender agrees to make, deliver and sell to the Authority, Mortgage Loans that meet the requirements of this Agreement. Execution and delivery of this Agreement does not obligate the Lender to sell any Mortgage Loans to the Authority.

B. The purchase price for each Mortgage Loan delivered for purchase and accepted by the Authority under this Agreement shall be equal to the then current outstanding principal balance of the Mortgage Loan, plus any down payment and closing cost assistance and any applicable premium or less any applicable discount, plus any accrued interest through the day prior to the Mortgage Purchase Date.

Section 3. **Mortgage Loan Application Procedure.**

3.1. **Application.**

A. The Lender may accept applications for Mortgage Loans from prospective homebuyers who meet the requirements of the Program. The Lender shall require each applicant to submit an application in the manner specified in the Procedural Guide. The Lender shall be responsible for determining, subject to review by the Authority, that applicants for Mortgage Loans are Eligible Borrowers who have the financial ability to pay the proposed Mortgage Loans and that proposed Mortgage Loans are to finance Qualified Dwellings and comply with the requirements of this Agreement and the Procedural Guide for purchase by the Authority. The Lender shall review application forms and related submissions to determine that there is adequate documentary evidence to support such determinations and shall take appropriate measures to verify the information provided.

B. The Lender shall maintain, for a period of twenty-five (25) months from the date of denial, accurate records of the application and related forms, including credit information, with respect to any application for a Mortgage Loan that is denied. During that twenty-five (25) month period, the Lender shall surrender such records to the Authority upon its request.

C. The Lender shall not deny a Mortgage Loan to or discriminate against any person or persons in fixing the amount, interest rate, duration or other terms and conditions of any Mortgage Loan, on account of race, color, religion, age, sex, sexual orientation, handicap, marital or family status, national origin, ancestry, military status, or unfavorable military discharge and shall comply with all state and Federal requirements with respect to nondiscrimination in lending.

3.2. **Underwriting Criteria.**

The Lender shall underwrite each application for a Mortgage Loan in a manner consistent with the standards set forth in the Procedural Guide.

Section 4. Recapture.

4.1 Description of Recapture. The Internal Revenue Code of 1986 (the "Code") contains a recapture provision that affects Mortgage Loans purchased by the Authority. An Eligible Borrower who sells a single family residence financed by a Mortgage Loan may be required to pay the Federal government a portion of the sales price representing the interest on the Mortgage Loan deemed to have been saved due to the below-market interest rate if the sale takes place within nine (9) years of the Eligible Borrower's purchase of that residence. Attached to this Agreement as Exhibit A is the Notice to Homebuyers, which contains an explanation of the manner in which the Authority believes the recapture amount will be calculated. THIS EXPLANATION REPRESENTS THE AUTHORITY'S CURRENT UNDERSTANDING OF THE RECAPTURE PROVISION OF THE CODE. THE EXPLANATION IS NOT A COMPLETE STATEMENT OF THAT RECAPTURE PROVISION AND THE AUTHORITY CANNOT BE CERTAIN THAT IT WILL BE CONSISTENT WITH ANY REGULATIONS THAT THE TREASURY DEPARTMENT MAY PROMULGATE UNDER THE CODE.

4.2 Requirement to Inform Prospective Eligible Borrowers.

When the Lender receives a request for an application for a Mortgage Loan, the Lender shall provide the applicant with a copy of the Notice to Homebuyers in the most current form provided by the Authority. Each prospective Eligible Borrower who applies for a Mortgage Loan must execute the Notice on or before the date of application for a Mortgage Loan, and the Lender must forward a copy of the executed Notice to the Authority along with the documents required to be submitted under Section 6.A of this Agreement. The Authority shall not purchase any Mortgage Loan unless the Lender has provided the Authority with the executed Notice as required by this Section 4.2.

Section 5. Issuance of Commitments by Lender.

If the Lender determines that the application of the prospective Eligible Borrower meets the requirements of the Program, the Lender shall issue a commitment. Each commitment must be similar in form and content to those used by the Lender in its conventional mortgage lending practice. The commitment shall be for a stated period of time to be negotiated by the Lender and the Eligible Borrower, for a stated amount of money, at the Interest Rate, for the purpose of financing the acquisition of a particular Qualified Dwelling, and may be conditioned only upon approval of the Mortgage Loan for purchase by the Authority and approval by a private mortgage insurer, the FHA, the USDA, the VA and the Pool Insurer, as applicable.

Section 6. Prior Approval by the Authority.

A. Immediately following the issuance of a commitment to an Eligible Borrower, the Lender shall submit to the Authority the original executed documents described in the Procedural Guide. These documents shall include, but not be limited to, the Affidavit of Buyer, the Affidavit of Seller, the Notice to Homebuyers and, except for Eligible Borrowers applying for Mortgages on Targeted Area Residences, copies of completed, signed Federal income tax returns for the previous three (3) years for each potential Eligible Borrower, or other alternative

documents as required by the Authority.

B. Prior approval of any Mortgage Loan for purchase under this Section 6 shall be subject to and conditional upon a final review and approval by the Authority of the required documentation submitted in connection with the purchase of a Mortgage Loan. Prior approval by the Authority shall not in any event constitute the obligation of the Authority to purchase any Mortgage Loan that does not meet all requirements of this Agreement at the time it is delivered to the Authority for purchase. The Authority shall have the right to require an update and resubmission of any document or other materials previously approved that it has reason to believe may no longer represent current facts. If the Authority denies approval for purchase, it shall notify the Lender of the reason(s) for disapproval and return to the Lender the package of documents submitted.

C. The Lender's request for prior approval for purchase of a Mortgage Loan shall be regarded as an application for credit under the provisions of the Federal Equal Credit Opportunity Act and Regulation B issued pursuant thereto by the Federal Reserve Board, and the Federal Fair Credit Reporting Act. The Lender shall take such actions as may be necessary to effect compliance with the foregoing laws and regulations, including, but not limited to, supplying in a timely manner any required adverse action notification to the prospective Eligible Borrower. The Lender shall give the necessary notifications and disclosures in accordance with applicable law, and shall comply with applicable requirements relating to retention of records with respect to each request for prior approval made to the Authority.

Section 7. Submission and Purchase of Mortgage Loans.

7.1. Submission Requirements.

A. The Lender shall submit each Mortgage Loan to the Authority for purchase within thirty (30) days after closing, except for USDA loans which the Lender shall submit each Mortgage Loan to the Authority for purchase within sixty (60) days after closing.

B. The Lender shall deliver to the Authority not later than five Business Days prior to the expected Mortgage Purchase Date the documents listed in the Procedural Guide.

C. The Authority shall review the documents submitted and, upon completion of its review, shall send the Lender notification of the Mortgage Loan(s) acceptable for purchase. The notice shall set forth the amount of settlement, including any discount or premium to be paid.

D. The Lender shall deliver the original recorded Mortgage, the original Assignment of Mortgage and the title policy insuring the Mortgage Loan to the Authority as soon as they are available, but in no event more than one hundred eighty (180) days from the closing of the Mortgage Loan.

E. The Lender shall cause appropriate notice of the sale of the Mortgage Loan to the Authority to be given to each insurer with respect to the Mortgage Loan and the Qualified Dwelling, as and when necessary to effect and preserve the insurance called for by this

Agreement.

F. The Authority will not process files submitted for purchase with documentation missing or with incomplete or unacceptable documentation and will return such files, in whole or in part, to the Lender.

7.2. Obligation to Purchase.

A. The Authority shall not be obligated to purchase any Mortgage Loan unless: (i) the Mortgage Loan was closed and disbursed to an Eligible Borrower within the time limits set forth in the Procedural Guide; and (ii) the Mortgage Loan is delivered to the Authority within thirty (30) days of closing, except for USDA Mortgage Loans which must be delivered to the Authority within sixty (60) days of closing. In all cases, the Authority is empowered to determine, in its sole discretion, whether applications from prospective Eligible Borrowers are acceptable for participation in the Program, including but not limited to whether the Qualified Dwelling meets the acquisition cost limits of the Program. At any time, the Authority may, in its sole discretion, extend the time periods referred to in this subsection 7.2.A.

B. The Authority reserves the right to decline to purchase any Mortgage Loan delivered by the Lender that does not conform to this Agreement, the Procedural Guide and the Rules or the purchase of which, in the opinion of nationally recognized bond counsel selected by the Authority, might reasonably be expected to impair the tax-exempt status, of the interest on the Bonds.

7.3. Possession of Mortgage Loan File.

The Lender shall maintain a file with respect to each Mortgage Loan. The file shall contain copies of all documents delivered to the Authority and the following additional documents, if applicable:

- (1) Notice to private mortgage insurer, or the FHA or the USDA, if applicable, of sale to the Authority; and
- (2) Construction contract, warranty and other documents constituting a construction loan file, as are customarily maintained by prudent lenders, investors, and mortgage servicers.

7.4. Fees and Charges of Lender.

With respect to each Mortgage Loan purchased by the Authority under this Agreement, the Lender may charge the Eligible Borrower such fees as may be permitted by the Procedural Guide.

7.5 Payment of Expenses.

The Lender shall pay for the preparation, and the furnishing to the Authority and the Pool Insurer, of all documents specified in this Agreement and any and all expenses in connection with transactions pursuant to this Agreement, including, but not limited to, obtaining the Pool Insurer's approval, the cost of preparing and recording all documents necessary to accomplish such transactions and legal fees, other than legal fees for services rendered by counsel to the Authority (except as specifically provided in this Agreement). This Section 7.5 shall not prevent the Lender from charging the mortgagor closing costs on a Mortgage Loan to the extent permitted by Section 7.4.

Section 8. Mortgage Loans Secured by Targeted Area Residences.

The Lender agrees that it shall take all reasonable steps to originate Mortgage Loans in any Targeted Areas within the area in which the Lender intends to originate Mortgage Loans.

Section 9. Insurance.

9.1. Private Mortgage Insurance. Hazard Insurance and Special Hazard Insurance Requirements.

Eligible Borrowers must maintain such private mortgage insurance, hazard insurance and other insurance, all as may be required by the Procedural Guide.

9.2 Title Insurance Requirements.

Each Mortgage Loan shall be insured by a title insurance policy meeting the requirements set forth in the Procedural Guide, the benefits of which shall run to the Authority, issued on a standard American Land Title Association form by a title insurer acceptable to the Authority in an amount equal to the original principal balance of the Mortgage Loan.

9.3. Pool Insurance.

A. If required under the Program, each Mortgage Loan purchased by the Authority pursuant to the Agreements shall be insured under the policy or policies of Pool Insurance obtained by the Authority for the Program.

B. The Lender shall, at its expense, obtain the Pool Insurer's prior approval of each Mortgage Loan subject to Pool Insurance (See Section 6.A). If Pool Insurance is required for a Mortgage Loan, the Authority shall not purchase that Mortgage Loan unless the Lender has obtained from the Pool Insurer, and delivers to the Authority prior to the Mortgage Purchase Date, an unconditional Certificate of Insurance to insure such Mortgage Loan under the Pool Insurance policy.

The Authority will notify Lenders of changes in the Pool Insurer's credit and

underwriting standards, if any.

9.4. Assignments of Interest in Insurance Policies.

The Lender assigns and sets over to the Authority as of the Mortgage Purchase Date of each Mortgage Loan, all its right, title and interest in and to such policies or contracts of insurance and any benefits that it has received or may receive on each Mortgage Loan conveyed to the Authority on such Mortgage Purchase Date. The Lender agrees to execute such further instruments of assignment and other documents as may be necessary to effectuate such assignment, when requested by the Authority. Following the happening of any insurable event under any such policy prior to the Mortgage Purchase Date, of which the Lender has knowledge, the Lender shall promptly collect and pay over to the Authority the benefits payable under any such policy. If the Authority does not purchase a Mortgage Loan the Lender may retain such benefits.

Section 10. Representations Warranties and Covenants of Lender.

10.1. As of the Date of this Agreement.

As of the date of this Agreement, the Lender represents and warrants that:

- (1) The Lender is a State-chartered bank, national banking association, mortgage banking association or institution, credit union, or State or Federal savings and loan association (i) that is located and qualified to do business in the State, (ii) that is qualified to sell mortgages to the FNMA and/or FHLMC, and (iii) the deposits of which are insured by the FDIC or National Credit Union Administration, or which agrees to deposit its funds in Illinois financial institutions whose deposits are insured by the FDIC.
- (2) The Lender is duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or association, is licensed to conduct business under the laws of the State, has the power and authority to own its properties and conduct its business as now being conducted and is duly qualified to do such business and is in good standing in the State and in each state where such qualification is required; the Lender is in compliance with all applicable state and Federal laws governing its business and the making of loans for residential housing.
- (3) This Agreement has been duly authorized, executed and delivered by the Lender and is a valid and binding obligation of the Lender enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally.
- (4) The Lender has, and its officers acting on its behalf have, full legal authority to engage in and comply with the transactions covered by this Agreement, and to execute and deliver this Agreement. The terms and conditions of this Agreement

do not violate, conflict with or constitute a default under the charter or by-laws of the Lender or any agreement or instrument to which the Lender is now a party or by which it is bound; and the Lender is not a party to or bound by any agreement or instrument or subject to any charter or other corporate restrictions or any judgment, order, writ, injunction, decree, law, rule or regulation which now or in the future may materially and adversely affect the ability of the Lender to perform its obligations under this Agreement.

- (5) There is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body pending or, to the best of the Lender's knowledge, threatened against or affecting the Lender in which an unfavorable decision, ruling or finding would have a material adverse effect on the transactions contemplated by this Agreement or on the validity or enforceability against the Lender of this Agreement or the ability of the Lender to perform under this Agreement or the Servicing Agreement (if applicable) .

10.2. As of Each Mortgage Purchase Date.

Delivery by the Lender of a Mortgage Loan to the Authority for purchase pursuant to this Agreement shall constitute the warranty and representation by the Lender that on such Mortgage Purchase Date each of the following facts is true and correct with respect to such Mortgage Loan and, as applicable, with respect to the Lender. Any investigation, audit or other examination that may have been or may be made at any time by the Authority shall not limit, diminish or in any way affect the representations and warranties of the Lender set forth in this Agreement and the Authority may rely on such representations and warranties irrespective of any information obtained by it by any investigation, audit, examination or otherwise. These representations and warranties shall survive the purchase and delivery of any Mortgage Loans under this Agreement.

- (1) Each of the representations and warranties in Section 10.1 is true and correct.
- (2) Each mortgagor is an Eligible Borrower.
- (3) The full amount of the proceeds of the Mortgage Loan has been applied by an Eligible Borrower to payment of closing costs and down payment assistance, if applicable, and the Acquisition Cost of a Qualified Dwelling.
- (4) The Mortgage Loan is secured by a Mortgage constituting a valid and existing first mortgage lien on the Qualified Dwelling financed by the Mortgage Loan. The Assignment of Mortgage and the endorsement of the Note to the Authority were properly executed and acknowledged by the Lender, and are the legal, valid and binding obligations of the Lender enforceable in accordance with their terms subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally. The Qualified Dwelling is free and clear of all prior liens and encumbrances, and no rights are outstanding that could give rise to any such lien or encumbrance. Title to the Qualified Dwelling is subject only to property taxes and assessments not yet due and payable and

encumbrances customarily accepted in accordance with applicable title standards and previously disclosed to the Authority and to other exceptions previously approved in writing by the Authority. The term "first mortgage lien" means such classes of first liens as are commonly given to secure loans on real estate under the laws of the State.

- (5) The Mortgage, the Assignment of Mortgage, the financing statements, if any, and any other document required to be filed in a public office to perfect the lien of the Mortgage against third parties have been or will be duly and timely filed, registered or recorded by the Lender in the proper public office in order to give constructive notice thereof to all subsequent purchasers, creditors or encumbrancers.
- (6) The original and unpaid principal balance of the Mortgage Loan and the Interest Rate on it are accurately stated in the Mortgage Loan documents.
- (7) Unless the Mortgage Loan is insured by the FHA, the USDA or the VA or unless otherwise approved in writing by the Authority, the Mortgage Loan is in a principal amount that does not exceed ninety-seven percent (97%) of the Property Value and the term of the Mortgage does not exceed the remaining economic life of the Qualified Dwelling.
- (8) The amount of the unpaid principal balance and accrued interest, if any, is justly due and owing.
- (9) The Lender, or an entity controlled by the Lender, is the sole owner and holder of the Mortgage Loan and has full right to sell and assign the Mortgage to the Authority. Such sale and assignment conveys to the Authority good and marketable mortgagee's title to the real property described in the Mortgage.
- (10) The Lender has not modified in any respect and has not satisfied, cancelled subordinated or compromised, in whole or in part, the Mortgage Loan indebtedness and has not released the mortgaged Qualified Dwelling in whole or in part from the lien of the Mortgage or the indebtedness evidenced by the Note (or other instruments evidencing security and indebtedness) and the terms, covenants and conditions of the Note and the Mortgage have not been waived, altered or modified in any respect that would materially affect the validity or enforceability of the Mortgage Loan or the security of the lien of the Mortgage.
- (11) There is no default or delinquency under the terms and covenants of the Note, Mortgage, or any other documents evidencing the Mortgage Loan.
- (12) There is pending no proceeding for a total or partial condemnation of the Qualified Dwelling and the Qualified Dwelling is undamaged by fire, windstorm or other casualty.

- (13) The Mortgage Loan is not subject to any existing assignment or pledge other than the assignment to the Authority pursuant to this Agreement.
- (14) The Qualified Dwelling lies wholly within the boundaries and building restrictions of the mortgaged real estate and no improvements on adjoining real estate encroach upon the mortgaged real estate except as noted in the title insurance policy, which encroachments have been approved in writing by the Authority in accordance with Section 9.2.
- (15) Neither the Lender nor any other person has advanced to the Eligible Borrower additional moneys secured by the lien of the Mortgage without the prior written consent of the Authority.
- (16) The Lender has not charged to the Eligible Borrower any fees in excess of those allowed under this Agreement.
- (17) The Lender has no knowledge of any circumstances or conditions with respect to the Mortgage Loan, the Mortgage, the Qualified Dwelling, or the Eligible Borrower or her/his credit standing, that cause or might reasonably be expected to cause the Mortgage Loan to be an unacceptable investment or become delinquent or that adversely affect or might reasonably be expected adversely to affect the value or marketability of the Mortgage Loan.
- (18) The Mortgage Loan meets all applicable State and Federal laws, regulations and other requirements including, without limitation, those pertaining to usury, consumer credit and truth-in-lending, and there exists no right of rescission of the Mortgage Loan transaction.
- (19) The Mortgage Loan is not a construction loan and such Qualified Dwelling has been completed, except as to minor matters not affecting livability, and is constructed in accordance with all applicable building codes and standards.
- (20) The Qualified Dwelling is not, and its intended use will not be, in violation of any (i) zoning law, (ii) property restriction, or (iii) law, regulation or requirement pertaining to protection of the environment.
- (21) In making the Mortgage Loan, the Lender has not discriminated against any person or group of persons in fixing the amount, duration or other terms and conditions of such Mortgage Loan on account of race, color, religion, age, handicap, sex, sexual orientation, marital or family status, national origin, ancestry, military status or unfavorable military discharge, and has otherwise complied with all State and Federal requirements with respect to non-discrimination in lending.
- (22) The Lender has complied with the requirements of the Real Estate Settlement

Procedures Act of 1974 (Public Law 93-533), as amended from time to time, and any Federal regulations pursuant thereto applicable at the time the Mortgage Loan was originated.

- (23) Either (i) the original principal amount of the Mortgage Loan does not exceed eighty percent (80%) of the Property Value of the Qualified Dwelling, or (ii) the Mortgage Loan is subject to a policy of private mortgage insurance meeting the requirements set forth in the Procedural Guide, or (iii) the Mortgage Loan is insured by the FHA, the USDA or the VA. As to each Mortgage Loan insured by a private mortgage insurance company, the USDA or the VA, the Lender has complied with all rules and requirements of such company, and such insurance is in full force and effect and will, upon purchase of the Mortgage Loan by the Authority, inure to the benefit of the Authority.
- (24) If the Mortgage Loan is covered by Pool Insurance, the Lender has obtained an unconditional certificate of insurance from the Pool Insurer for the Mortgage Loan and has complied with all rules and requirements of the issuer of Pool Insurance and, if applicable, special hazard insurance.
- (25) In connection with the insurance pertaining to the Mortgage Loan and the Qualified Dwelling, to the best of the Lender's knowledge and belief, no unlawful or undisclosed fee, commission, rebate or other unlawful compensation or value, of any kind, has been or will be received, retained or realized by any attorney, firm or other person or entity, and no such unlawful or undisclosed items have been received, retained or realized by the Lender.
- (26) All copies of documents delivered by Lender to the Authority are true, complete and correct copies of the original documents. Review of documents by the Authority and its counsel shall not constitute a waiver of this representation.
- (27) With respect to the Mortgage Loan, the Lender has assisted in the completion of, obtained, and examined with reasonable care the Affidavit of Buyer and the Affidavit of Seller, including the required attachments, and the other origination documents listed in this Agreement and the Procedural Guide, made suitable inquiry of the affiant(s) with respect to the information contained in such affidavits and compared the information with the information contained in the appraiser's report. Based upon the foregoing actions, no facts have come to the attention of the Lender that would lead it to believe that any statements in the Affidavit of Buyer or Affidavit of Seller are not true, correct and complete or that any facts disclosed in such affidavits indicate that the mortgagor is not or might not be an Eligible Borrower or that the mortgaged property is not or might not be a Qualified Dwelling. In this connection, except for Mortgage Loans made in Targeted Areas, the Lender has obtained from each prospective Eligible Borrower signed copies of such person's Federal income tax returns in accordance with the requirements of the Procedural Guide and Section 6.A (or the Lender has obtained from the Eligible Borrower an affidavit to the effect that the Eligible Borrower

was not required to file a Federal income tax return for such calendar year or years and has no reasonable grounds to believe that such affidavit was incorrect) and none of such Federal income tax returns sets forth any deduction claimed for taxes or interest on indebtedness with respect to any residential real property that would otherwise disqualify the prospective Eligible Borrower.

- (28) The improvements upon the real property subject to the Mortgage Loan are covered by a valid and existing policy of hazard insurance meeting the requirements set forth in the Procedural Guide and any additional requirements of the Program.
- (29) No portion of the proceeds of the Mortgage Loan have been or are to be used to (i) refinance, directly or indirectly, an existing mortgage loan or loans of the Eligible Borrower on the Qualified Dwelling (other than a construction period loan, or a bridge loan or similar temporary initial financing having a term not in excess of twenty-four (24) months); (ii) finance, directly or indirectly, the purchase of a Qualified Dwelling (a) that, at the time the proposed mortgagor applied for a mortgage loan, was being purchased by such mortgagor pursuant to an installment purchase contract or (b) from a seller who herself/himself was the contract purchaser of the Qualified Dwelling at the time the proposed mortgagor entered into a contract for its purchase; (iii) pay any financing or settlement costs or any other adjustments; or (iv) pay the cost of any item required to be deducted from the sales contract price in computing the Acquisition Cost of the Qualified Dwelling.
- (30) All settlement costs have been fairly and equitably adjusted and paid by the mortgagor(s) and the seller(s) in conformity with sound mortgage closing standards in the community.
- (31) Unless otherwise approved by the Authority in writing, the Eligible Borrower did not borrow any funds other than the proceeds of the Mortgage Loan in connection with the acquisition of the Qualified Dwelling.
- (32) Under the Mortgage and Note it shall constitute an event of default and entitle the Authority or any successor owner of the Mortgage Loan, at its option, to accelerate the indebtedness if the Authority or any successor owner of the Mortgage shall determine at any time that any representation or statement of a material fact in the application of the Eligible Borrower, the Affidavit of Buyer or any other document executed in connection with the Mortgage Loan was untrue or incomplete when made.
- (33) The Mortgage Loan conforms to, and the Lender has complied with, all applicable terms, conditions and procedures set forth in, the Act, the Rules, this Agreement and any other applicable documents.
- (34) To the best of Lender's information, knowledge and belief, no condition exists

that would prohibit the purchase of the Mortgage Loan by the Authority under all applicable rules, regulations and contractual provisions.

- (35) The Lender has not altered or modified any standard Authority form used in connection with the Program without the express written consent of the Authority.
- (36) The Mortgage Loan is covered by a fully paid mortgage title insurance policy meeting the requirements of Section 9.2 of this Agreement and the Procedural Guide.
- (37) The Mortgage Loan is evidenced by a properly executed Note made payable or assigned to the order of the Lender and is secured by a properly executed and acknowledged Mortgage, which Note and Mortgage are the legal, valid and binding obligations of the makers and mortgagors thereof, enforceable in accordance with their terms, except only as such enforcement may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally, and the Mortgage and the Note are free from any right of set-off, counterclaim or other claim or defense. Each such maker and mortgagor had full legal capacity to execute the Note and Mortgage.

10.3 Additional Information.

The Lender agrees that it will notify the Authority promptly if at any time it has reason to believe that any statement, representation or warranty in any document relating to any Mortgage Loan is not, or was not when made, true and correct including, without limitation, this Agreement, the Affidavit of Buyer and the Affidavit of Seller.

Section 11. Default.

If the Lender fails or refuses, for any reason whatsoever, to observe or perform any covenant, condition or commitment in this Agreement that is to be observed or performed by the Lender, then in addition to any other remedies that may be provided elsewhere in this Agreement, the Authority shall be entitled to all remedies at law or in equity including, without limitation, the right to terminate this Agreement, to seek equitable relief by way of injunction to prevent the breach or threatened breach of any of the provisions of this Agreement or to enforce the performance of the obligations under this Agreement and to seek damages, including consequential damages arising by virtue of the Authority's sale of its Bonds in reliance upon the anticipated observance and performance by the Lender of the provisions of this Agreement. Upon any termination of this Agreement, the Lender shall have no further rights pursuant to this Agreement. No termination shall diminish the Authority's right pursuant to Section 13 to require the Lender to repurchase Mortgage Loans or to collect damages.

Section 12. Term of Agreement.

Unless sooner terminated as provided in this Agreement or by mutual agreement, this Agreement shall continue from its date until the later of the date on which all of the Mortgage

Loans purchased by the Authority under this Agreement are (i) paid in full or (ii) assigned to the private mortgage insurer, Pool Insurer or any other insurer and the applicable insurer takes possession of the Qualified Dwelling.

Section 13. Repurchase of Mortgage Loans by Lender.

At the demand of the Authority, the Lender shall repurchase any Mortgage Loan purchased by the Authority under this Agreement for an amount equal to the sum of (a) one hundred percent (100%) of the unpaid principal balance of the Mortgage Loan, plus accrued interest, (b) any down payment and closing cost assistance provided to the Borrower, (c) the aggregate amount of any advances made by the Authority for the account of the mortgagor plus interest thereon at the Interest Rate and (d) any attorneys' fees, legal expenses, court costs or other expenses that may have been incurred or expended by the Authority in connection with that Mortgage Loan if any of the following events ("Default") has occurred with respect to that Mortgage Loan:

- (1) The Lender fails to deliver the recorded Mortgage and recorded Assignment of Mortgage and the Title Policy within ten (10) days following the receipt by the Lender of such documents.
- (2) The Authority suffers, or is threatened with, a material loss by reason of the misfeasance, non-feasance or malfeasance of the Lender with respect to the Mortgage Loan.
- (3) The Authority determines that any representation or warranty made by the Lender with respect to such Mortgage Loan was untrue when made, any representation or warranty or other term of this Agreement has been breached, or a misstatement of a material fact exists in any of the documents relating to the Mortgage Loan including, without limitation, this Agreement, the Affidavit of Buyer and the Affidavit of Seller.
- (4) Any Pool Insurance, private mortgage insurance, special hazard insurance or other insurance with respect to the Mortgage Loan is canceled or lapses at any time during the term of the Mortgage Loan due to the fault of the Lender or any assignee of the Lender, and such insurance is not promptly reinstated to the satisfaction of the Authority.
- (5) The Lender, without the prior written consent of the Authority, waives the enforcement of any provisions of the Note or Mortgage.
- (6) If the Lender is not going to service Mortgage Loans, the Lender fails to transfer the escrow accounts and the Mortgage Loan documents for a Mortgage Loan to the designated Servicer within ten (10) days of the date the Lender is notified of the name and address of such designated Servicer.

The Authority's determination that any of the above events has occurred shall be

conclusive. Any repurchase by the Lender under this Section 13 shall take place on such date as the Authority may specify in its notice to the Lender of the occurrence of one or more Defaults, but not less than ten (10) days from the date of such notice. Upon repurchase, the Authority shall immediately reassign to the Lender without recourse its interest in all appropriate documents relating to the Mortgage Loan to the Lender and, if applicable, shall remit to the Lender all escrow deposits held by it or the Servicer. The Lender shall indemnify the Authority and hold the Authority harmless from any loss, damage, or expense, including, but not limited to, reasonable attorneys' fees, that the Authority may sustain as a result of the occurrence of any Defaults. The Lender shall pay to the Authority as liquidated damages, and not as a penalty, an amount equal to Fifty and No/100 Dollars (\$50.00) per day for each day after the specified repurchase date, up to and including the date of repurchase, on which the Lender did not repurchase the subject Mortgage Loan.

If any of the events specified in Sections 13(1)-(5) has occurred and the real estate securing the Mortgage Loan in question has been sold, the Lender shall, at the demand of the Authority, reimburse the Authority in the amounts specified in Section 13(a)-(d), plus any expenses incurred in the sale of the real estate, less the amount of the sales price. Such reimbursement shall be made within ten (10) days of the date of notice to the Lender of the occurrence of one or more of the foregoing events. If the Lender fails to make reimbursement within that ten (10) day period, the reimbursement amount shall bear interest at the rate of ten percent (10%) per year, or the highest amount permitted by law, whichever is less, starting as of the date of the notice.

If the Authority is required to bring suit or take any other action or incur any expenses to enforce the terms and provisions of this Section 13, the Lender shall pay to the Authority upon demand all of its costs and expenses in connection with such enforcement, including, without limitation, reasonable attorneys' fees, other professional fees and litigation expenses.

Section 14. Miscellaneous.

A. The Lender shall at its expense, execute all documents and take all steps requested by the Authority from time to time to perform, evidence or preserve the Authority's rights with respect to the covenants, representations and warranties in this Agreement.

B. The provisions of this Agreement cannot be waived or modified except in a writing signed by the parties hereto. In action or failure to demand strict performance shall not be deemed to constitute a waiver. Notwithstanding any provision herein to the contrary, the Authority may modify procedural matters relating to the origination and delivery of Mortgage Loans without the consent of the Lender. Such modifications shall be effective upon notice to the Lender.

C. In the event the Lender is the recipient of any funds, from whatever source, intended to reduce or pay the Mortgage Loan or assist in the payment of the monthly payments with respect to it, the Lender agrees promptly to apply all such funds for the purpose intended.

D. This Agreement shall be governed by the internal laws of the State.

E. The Lender assents to the jurisdiction of the Federal district courts in the State in any action or proceeding arising out of, or as a result of, this Agreement, or the alleged or anticipated breach of any of the covenants, representations or warranties contained herein and waives any objection to venue in such action or proceeding being placed in such district in the State as the Authority may select.

F. All communications between the Authority and the Lender relating to this Agreement shall be in writing and shall be deemed received or given when mailed by first-class mail, postage prepaid, addressed to the Authority at 401 North Michigan Avenue, Suite 700, Chicago, Illinois 60611, and to the Lender at its address shown on the first page hereof or to such other address as the Authority or the Lender may hereafter designate to the other party in writing.

G. All agreements, representations and warranties made in this Agreement shall survive the purchase of any and all Mortgage Loans under this Agreement.

H. This Agreement may be executed in any number of counterparts, all of which taken together will constitute one and the same agreement and either party may execute this Agreement by signing one or more counterparts.

I. The headings and title of this Agreement are for convenience only and shall not influence the construction or interpretation of this Agreement.

J. If any term, covenant, condition or provision of this Agreement, or the application of them to any circumstance, shall, at any time or to any extent, be determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement, or the application of it to circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant, condition and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

K. This Agreement is not assignable by the Lender without the express written consent of the Authority.

L. All of the covenants and agreements herein contained shall extend to and be obligatory upon all successors of the respective parties.

M. The attached Exhibit A is incorporated herein by reference.

N. The Authority and the Lender shall adhere to applicable state and federal privacy laws with respect to the Program.

IN WITNESS WHEREOF, each party has caused this Agreement to be executed by its duly authorized officer.

LENDER

By: _____

Printed name: _____

Title: _____

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

By: _____

Printed name: Bryan E. Zises

Title: Executive Director

By: _____

Printed Name: Maureen Ohle

Title: General Counsel

By: _____

Printed Name: Nandini Natarajan

Title: Chief Financial Officer

**RECAPTURE NOTICE:
NOTICE TO HOMEBUYERS -- MRB**

To: Prospective homebuyers who may be planning to apply for a mortgage loan under the Illinois Housing Development Authority's First Time Homebuyer Program.

The Illinois Housing Development Authority's First Time Homebuyer Program is made possible by provisions of the Internal Revenue Code that allow the Authority to issue what are customarily referred to as "tax-free bonds." By issuing bonds, the Authority can provide financing for mortgage loans at a below-market interest rate.

The Internal Revenue Code includes a restriction relating to such mortgage loans. The federal government treats homebuyers who purchase a residence with mortgage loans financed with proceeds of tax-free bonds as having received a "subsidy" because of the below-market interest rate. The new restriction requires that, subject to certain exceptions, a homebuyer who has taken advantage of the below-market interest rate must repay part or all of the subsidy to the federal government if the homebuyer sells the residence within nine (9) years of purchase. The repayment is commonly referred to as "recapture."

Generally, the maximum amount of the recapture increases during the first five (5) years of ownership and decreases for the next four (4) years. During the nine (9) years in which recapture may apply, several factors will determine the actual amount, if any, of recapture. The actual recapture amount will be based on the homebuyer's original mortgage amount, family size, income at the time of sale and the gain realized upon sale of the residence. Recapture will never exceed one half of the gain on sale. In addition, if the homebuyer's income does not rise significantly over the first nine (9) years of the loan (more than five percent (5%) per year), there is no recapture.

The Authority will provide you with additional information concerning these provisions shortly after you buy your residence. A brief explanation of how the Authority believes the maximum recapture amount will be calculated is provided below. THIS EXPLANATION AND THE ACCOMPANYING CALCULATIONS REPRESENT THE AUTHORITY'S CURRENT UNDERSTANDING OF THE RECAPTURE PROVISION OF THE INTERNAL REVENUE CODE. THE EXPLANATION IS NOT A COMPLETE STATEMENT OF THE RECAPTURE PROVISION, AND THE AUTHORITY CANNOT BE CERTAIN THAT IT WILL BE CONSISTENT WITH ANY REGULATIONS THE TREASURY DEPARTMENT MAY PROMULGATE UNDER THE RELEVANT SECTIONS OF THE INTERNAL REVENUE CODE.

IF YOU DO NOT UNDERSTAND THIS NOTICE, OR IF YOU HAVE ADDITIONAL QUESTIONS ABOUT RECAPTURE, YOU SHOULD CONSULT YOUR ATTORNEY, YOUR TAX ADVISER OR THE TAXPAYER ASSISTANCE DEPARTMENT OF THE INTERNAL REVENUE SERVICE (1-800-829-1040).

Calculation of the Recapture Amount

The amount of the "subsidy" the homebuyer is presumed to receive is set by the Internal Revenue Code as a percentage of the mortgage amount that varies according to the number of years after the date of purchase the residence is sold. The following table gives the applicable percentages:

<u>Year After Purchase</u>	<u>Percentage</u>
First	1.25%
Second	2.50%
Third	3.75%
Fourth	5.00%
Fifth	6.25%
Sixth	5.00%
Seventh	3.75%
Eighth	2.50%
Ninth	1.25%

The following simple examples, based on a mortgage loan of \$48,000, will show how to calculate the maximum recapture amount for particular years.

Example A: Residence bought Feb. 1, 2000, sold March 1, 2001, in the second year after the date of purchase. Recapture amount = $\$48,000 \times 2.50\% = \$1,200$.

Example B: Residence bought Feb. 1, 2000, sold April 1, 2003, in the fourth year after the date of purchase. Recapture amount = $\$48,000 \times 5.00\% = \$2,400$.

Example C: Residence bought Feb. 1, 2000, sold April 1, 2004, in the fifth year after the date of purchase. Recapture amount = $\$48,000 \times 6.25\% = \$3,000$.

Example D: Residence bought Feb. 1, 2000, sold Jan. 1, 2007, in the seventh year after the date of purchase. Recapture amount = $\$48,000 \times 3.75\% = \$1,800$.

Example E: Residence bought Feb. 1, 2000, sold March 1, 2009, in the tenth year after the date of purchase. Recapture amount = 0; no recapture after nine years.

The Authority believes that very few, if any, individuals will ever become subject to this tax. To encourage you to finance your residence under the First Time Homebuyer Program, the Authority agrees to reimburse you if you can provide to the Authority documentation showing that you paid the recapture tax. This policy becomes effective for all mortgage loans reserved on or after June 15, 2005.

I (We) have read this Notice to Homebuyers, and I (We) have received a signed copy of this Notice for my (our) records.

_____ Date: _____

_____ Date: _____

ADDENDUM
MORTGAGE CREDIT CERTIFICATES (MCCs)

ADDENDUM TO MORTGAGE PURCHASE AGREEMENT
MORTGAGE CREDIT CERTIFICATE PROGRAM
LENDER PARTICIPATION AGREEMENT

THIS ADDENDUM TO MORTGAGE PURCHASE AGREEMENT (this "Addendum") is made and entered into by and between the Authority and the Lender as of _____, 20__

RECITALS

A. In addition to the transactions contemplated under the Agreement, the Lender and the Authority desire to enter into this Addendum in connection with MCC Programs to be conducted by the Authority.

In consideration of the mutual covenants and agreements herein contained, the Authority and the Lender agree as follows:

Section 1. Definitions.

The following words and terms shall have the meanings set forth below. words and terms used in this Addendum and not otherwise defined shall have the same meanings as are given to them in the Agreement.

"Applicant": A prospective Eligible Borrower who applies to the Lender for a Mortgage Loan and an MCC.

"Certificate Credit Rate": The maximum percentage of interest paid or accrued on the outstanding Certified Indebtedness Amount that can be taken as a Federal income tax credit in any year by the Eligible Borrower, as specified in the MCC.

"Certified Indebtedness Amount": The amount of indebtedness incurred by the Eligible Borrower to acquire the Qualified Dwelling, as specified in the MCC.

"Code": The Internal Revenue Code of 1986, as amended and supplemented.

"MCC": A mortgage credit certificate issued by the Authority pursuant to Section 25 of the Code.

"MCC Application": An application for an MCC signed by an Applicant.

"MCC Commitment": The Authority's commitment to provide an MCC to an Applicant, provided that the Applicant, the Mortgage Loan and the residence to be purchased by the Applicant meet the requirements of Section 25 of the Code.

"MCC Procedural Guide": The manual prepared by the Authority setting forth the notices to be provided to Applicants, the fees Lenders are permitted to charge Applicants, the documentation to be submitted in connection with MCC Commitments and submissions for MCCs, the fees Lenders must pay to the Authority and other procedures and requirements of an MCC Program.

"MCC Program": A program pursuant to which the Authority offers to issue MCCs to Eligible Borrowers in connection with Mortgage Loans on Qualified Dwellings.

"MCC Reservation": The Authority's reservation of an MCC for an Applicant.

"New Construction": A residential housing unit that has not previously been occupied as a residence.

"Notice of Program": The Authority's notice to the Lender of an MCC Program.

Section 2. The MCC Program.

2.1 Agreement Regarding Issuance of MCCs.

Subject to the terms and conditions of this Addendum, for each MCC Program in which the Lender chooses to participate, the Authority agrees to issue MCCs in connection with Mortgage Loans originated by the Lender that meet the requirements of this Addendum and the MCC Procedural Guide. For such MCC Programs in which the Lender chooses to participate, the Lender agrees to make available Mortgage Loans to Eligible Borrowers for the acquisition of Qualified Dwellings, located in the areas set forth in the Notice of Program for those MCC Programs. The Authority shall allocate MCCs to Eligible Borrowers in an amount not to exceed the total amount shown in the applicable Notice of Program.

2.2 Targeted Areas.

The Authority shall set aside twenty percent (20%) of the aggregate amount of MCCs available under each MCC Program for a period of one (1) year for Mortgage Loans to be made in Targeted Areas. The Lender agrees to use reasonable diligence to originate Mortgage Loans in those Targeted Areas in which it originates mortgage loans in the ordinary course of its business.

2.3 Notice of Program.

The Authority will notify the Lender of an MCC Program by mailing to the Lender a Notice of Program. Upon receipt, the Lender may elect to participate in the MCC Program by accepting MCC Applications and requesting MCC Reservations reserving MCCs.

2.4 Mortgage Loan Applications.

For each MCC Program in which the Lender chooses to participate, the Lender agrees to accept applications from Applicants for Mortgage Loans on residences located in the areas specified in the Notice of Program for the Program. The Lender shall provide all prospective Applicants with the notices and forms required by the MCC Procedural Guide.

2.5 Recapture.

A. The recapture provisions of the Code described in Section 4 of the Agreement apply to all Mortgage Loans in connection with which an MCC is issued. Attached to this Addendum as Exhibit A is the Notice to Homebuyers, which contains an explanation of the manner in which the Authority believes the recapture amount will be calculated. THIS EXPLANATION REPRESENTS THE AUTHORITY'S CURRENT UNDERSTANDING OF THE RECAPTURE PROVISION OF THE CODE. THE EXPLANATION IS NOT A COMPLETE STATEMENT OF THAT RECAPTURE PROVISION AND THE AUTHORITY CANNOT BE CERTAIN THAT IT WILL BE CONSISTENT WITH ANY REGULATIONS THAT THE TREASURY DEPARTMENT MAY PROMULGATE UNDER THE CODE.

B. When the Lender receives a request for an MCC Application, the Lender shall provide the applicant with a copy of the Notice to Homebuyers in the most current form provided by the Authority. Each prospective Eligible Borrower who applies for an MCC must execute the Notice on or before the date of MCC Application, and the Lender must forward a copy of the Notice to the Authority along with the documents required to be submitted under Section 6.A of this Agreement. The Authority shall not issue an MCC unless the Lender has provided the Authority with the Notice executed as required by this Section 3.A of this Addendum.

2.6 Reserving the MCC.

The Authority agrees to reserve MCCs on a first-come, first-served basis. To reserve an MCC, the Lender must notify the Authority and provide the Applicant's name, the property address, the Mortgage Loan amount, and whether or not the residence is located in a Targeted Area.

If the residence is located in an area served by an MCC Program, and if the Authority has MCC allocation authority available for the subject Mortgage Loan, the Authority shall make an MCC Reservation for the Applicant through the Authorities computerized reservation system, as more fully described in the Procedural Guide. The MCC Reservation shall be valid for a period of sixty (60) days, during which time the Lender must submit to the Authority the documents required by Section 3.A of this Addendum. If the Lender fails to submit these documents, the Authority shall cancel the MCC Reservation.

2.7 The Mortgage Loan.

The MCC may be used in conjunction with any mortgage loan, other than a mortgage loan originated under the Program or financed with the proceeds of mortgage revenue bonds issued under Section 143 of the Internal Revenue Code of 1986, as amended from time to time.

The Lender shall establish all underwriting criteria for the Mortgage Loan, including interest rate, down payment requirement, term of the Mortgage Loan, minimum income requirements, fees, points, closing costs, and mortgage insurance requirements.

The Authority will not issue an MCC in conjunction with a mortgage loan subsidized by tax-exempt mortgage revenue bonds issued pursuant to Section 143 of the Code.

2.8 MCC Application Fee.

In addition to the closing costs, fees, and other charges established by the Lender, the Lender shall also charge and collect from the Applicant such fees as may be required in the applicable MCC Procedural Guide.

Section 3. Submission for MCC Commitment.

A. If the Lender determines that an Applicant's MCC Application meets the requirements of the applicable MCC Program, the Lender shall submit to the Authority the documents required by the MCC Procedural Guide.

B. The Authority shall review each MCC Application for acceptability and completeness. The Authority shall keep acceptable MCC Application packages on file and return an executed MCC Commitment to the Lender.

C. An MCC Commitment shall be subject to and conditioned upon a final review and approval by the Authority of the required documentation submitted in connection with the MCC Application.

D. If the residence is existing construction, the Mortgage Loan must be closed within ninety (90) days from the date of issuance of the MCC Commitment. If the residence is New Construction, the Mortgage Loan must be closed within one hundred eighty (180) days from the date of issuance of the MCC Commitment. The Lender may obtain a ninety (90) day extension of an MCC Commitment by paying to the Authority the required fee, as stated in the MCC Procedural Guide or as published on the Authority's website. However, in no case may a Mortgage Loan be closed later than two (2) years from the date of the public announcement of the MCC Program. If the Lender fails to close the Mortgage Loan within the allowed periods under this Section 3, the MCC Commitment and the MCC Reservation will be cancelled.

E. If the submission for an MCC Commitment is returned or denied by the

Authority, any resubmission, if appropriate, must include all information that the Authority has determined necessary for reconsideration.

Section 4. Cancellation or Changes Prior to Closing.

A. The Lender shall notify the Authority of the cancellation of any MCC Commitment by submitting written notification, and returning the original MCC Commitment; to the Authority.

B. The Lender shall notify the Authority in writing if and when it becomes aware of any change in the circumstances upon which the Authority relied when it issued the MCC Commitment, including, but not limited to, the Applicant's financial status, marital status or home ownership status; the Acquisition Cost of the Qualified Dwelling; or the amount of the Mortgage Loan.

Section 5. Submission for Mortgage Credit Certificate.

A. The Lender shall submit to the Authority the documents required by the MCC Procedural Guide in connection with the issuance of an MCC. The Authority shall review all submitted documents for acceptability and completeness and, if the documents are in order, deliver an executed MCC to the Lender for forwarding to the Eligible Borrower.

B. The Lender shall maintain a file with respect to the Mortgage Loan containing copies of all documents delivered to the Authority and such other documents as are customarily maintained by prudent lenders and mortgage services.

Section 6. IRS Report Filing and Record Keeping.

A. For each year that an MCC is issued through the Lender, the Lender shall file an annual report to the Internal Revenue Service on IRS Form 8329 (or such other form as may be designated by law or regulation) covering each MCC issued through the Lender during that year. The report shall be filed on or before January 31st of the year following the calendar year to which the report relates, or such other date as may hereafter be prescribed by law or regulation. The Lender shall provide a copy of the report to the Authority within ten (10) days of filing it with the Internal Revenue Service.

B. For a period of six (6) years following the year in which the Mortgage Loan was made the Lender shall retain:

- (1) The name, address and social security number of the MCC holder.
- (2) The name, address and tax identification number of the Authority.
- (3) The closing date of the Mortgage Loan, the Certified Indebtedness Amount and the Certificate Credit Rate.

Section 7. Representations and Warranties of Lender.

7.1 As of the Date of this Addendum.

The representations and warranties set forth in Section 10.1 of the Agreement shall apply to this Addendum as of its date.

7.2 As of Each Date of Submission for an MCC.

Each submission of an application for an MCC by the Lender to the Authority shall constitute a warranty and representation by the Lender that, on the date of submission, each of the following facts is true and correct with respect to the Mortgage Loan in connection with which the MCC is to be issued and, as applicable, with respect to the Lender. Any investigation, audit or other examination that may have been or may be made at any time by the Authority shall not limit, diminish or in any way affect the representations and warranties of the Lender set forth in this Addendum, and the Authority may rely on such representations and warranties irrespective of any information obtained by it through any investigation, audit, examination or otherwise. These representations and warranties shall survive the submission of applications for commitments and the issuance of MCCs.

- (1) Each of the representations and warranties in Section 10.1 and Sections 10.2 (3), (22), (28) and (30) of the Agreement is true and correct.
- (2) The Lender has not charged the Eligible Borrower any fees in excess of those charged to a borrower applying for financing not provided in connection with an MCC, other than those fees set forth in the Procedural Guide.

The Authority shall have the right to examine and inspect all books and records in the Lender's possession relating to any MCC and the MCC Program, and the Lender shall grant the Authority access to such books and records during normal business hours upon its request.

7.3 Additional Information.

The Lender shall notify the Authority promptly regarding all information that it may receive during the life of any Mortgage Loan made in connection with an MCC that tends to indicate that the MCC holder may have made a misrepresentation in applying for an MCC or that may affect the MCC holder's continued eligibility to hold an MCC.

Section 8. Term of Addendum.

The representations, warranties and covenants of the Lender set forth in Section 7.1 and 7.2 shall survive any termination of this Addendum. The Lender may terminate this Addendum, without cause, upon sixty (60) days' notice to the Authority, as provided in Section 14.F of the Agreement, provided that a) the Lender processes all applications for an MCC pending as of the date of termination, and b) the terms and conditions of this Addendum shall apply to those pending applications. Further, the Authority may immediately terminate this Addendum by providing notice, as provided in Section 14.F of the Agreement, and prohibit the Lender from participation in the MCC Program upon the Lender's failure to comply in any material respect with the terms and conditions of this Addendum.

Section 9. Miscellaneous.

The Lender shall, at its expense, execute all documents and take all steps requested by the Authority, from time to time, to perform, evidence or preserve the Authority's rights with respect to the covenants, representations and warranties in this Addendum.

IN WITNESS WHEREOF, each party has caused this Addendum to be executed by its duly authorized officer.

LENDER:

By: _____

Printed name: _____

Title: _____

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

By: _____

Printed name: Bryan E. Zises

Title: Executive Director

By: _____

Printed Name: Maureen Ohle

Title: General Counsel

By: _____

Printed Name: Nandini Natarajan

Title: Chief Financial Officer

NOTICE TO HOMEBUYERS: RECAPTURE NOTICE -- MCC

To: Prospective homebuyers who may be planning to apply for a mortgage credit certificate under the Illinois Housing Development Authority's Mortgage Credit Certificate Program.

The Illinois Housing Development Authority's Mortgage Credit Certificate Program is made possible by provisions of the Internal Revenue Code that allow the Authority to issue mortgage credit certificates.

The Internal Revenue Code includes a restriction relating to such mortgage credit certificates. The federal government treats homebuyers who receive a mortgage credit certificate in connection with the purchase of a residence as having received a "subsidy". The new restriction requires that, subject to certain exceptions, a homebuyer who has taken advantage of a mortgage credit certificate must repay part or all of the subsidy to the federal government if the homebuyer sells the residence within nine (9) years of purchase. The repayment is commonly referred to as "recapture."

Generally, the maximum amount of the recapture increases during the first five (5) years of ownership and decreases for the next four (4) years. During the nine (9) years in which recapture may apply, several factors will determine the actual amount, if any, of recapture. The actual recapture amount will be based on the homebuyer's original mortgage amount, family size, income at the time of sale and the gain realized upon sale of the residence. Recapture will never exceed one half of the gain on sale. In addition, if the homebuyer's income does not rise significantly over the first nine (9) years of the loan (more than five percent (5%) per year), there is no recapture.

The Authority will provide you with additional information concerning these provisions shortly after you buy your residence. A brief explanation of how the Authority believes the maximum recapture amount will be calculated is provided below. THIS EXPLANATION AND THE ACCOMPANYING CALCULATIONS REPRESENT THE AUTHORITY'S CURRENT UNDERSTANDING OF THE RECAPTURE PROVISION OF THE INTERNAL REVENUE CODE. THE EXPLANATION IS NOT A COMPLETE STATEMENT OF THE RECAPTURE PROVISION, AND THE AUTHORITY CANNOT BE CERTAIN THAT IT WILL BE CONSISTENT WITH ANY REGULATIONS THE TREASURY DEPARTMENT MAY PROMULGATE UNDER THE RELEVANT SECTIONS OF THE INTERNAL REVENUE CODE.

IF YOU DO NOT UNDERSTAND THIS NOTICE, OR IF YOU HAVE ADDITIONAL QUESTIONS ABOUT RECAPTURE, YOU SHOULD CONSULT YOUR ATTORNEY, YOUR TAX ADVISER OR THE TAXPAYER ASSISTANCE DEPARTMENT OF THE INTERNAL REVENUE SERVICE (1-800-829-1040).

Calculation of the Recapture Amount

The amount of the “subsidy” the homebuyer is presumed to receive is set by the Internal Revenue Code as a percentage of the mortgage amount that varies according to the number of years after the date of purchase the residence is sold. The following table gives the applicable percentages:

<u>Year After Purchase</u>	<u>Percentage</u>
First	1.25%
Second	2.50%
Third	3.75%
Fourth	5.00%
Fifth	6.25%
Sixth	5.00%
Seventh	3.75%
Eighth	2.50%
Ninth	1.25%

The following simple examples, based on a mortgage loan of \$48,000, will show how to calculate the maximum recapture amount for particular years.

Example A: Residence bought Feb. 1, 2000, sold March 1, 2001, in the second year after the date of purchase. Recapture amount = $\$48,000 \times 2.50\% = \$1,200$.

Example B: Residence bought Feb. 1, 2000, sold April 1, 2003, in the fourth year after the date of purchase. Recapture amount = $\$48,000 \times 5.00\% = \$2,400$.

Example C: Residence bought Feb. 1, 2000, sold April 1, 2004, in the fifth year after the date of purchase. Recapture amount = $\$48,000 \times 6.25\% = \$3,000$.

Example D: Residence bought Feb. 1, 2000, sold Jan. 1, 2007, in the seventh year after the date of purchase. Recapture amount = $\$48,000 \times 3.75\% = \$1,800$.

Example E: Residence bought Feb. 1, 2000, sold March 1, 2009, in the tenth year after the date of purchase. Recapture amount = 0; no recapture after nine years.

I (We) have read this Notice to Homebuyers, and I (We) have received a signed copy of this Notice for my (our) records.

_____	Date: _____
_____	Date: _____