



IOWA FINANCE
AUTHORITY

MORTGAGE ORIENTATION AGREEMENT

Iowa Finance Authority

FIRSTHOME PROGRAM

HOMES FOR IOWANS PROGRAM

Dated as of January 1, 2014

MORTGAGE ORIGINATION AGREEMENT

THIS MORTGAGE ORIGINATION AGREEMENT, dated as of January 1, 2014, is by, between and among the Iowa Finance Authority (the "Authority"), Idaho Housing and Finance Association (the "Servicer") and the financial institution executing this Agreement on the execution page hereof (the "Mortgage Lender").

WITNESSETH THAT:

WHEREAS, the Authority operates single family housing finance programs (the "Program") by purchasing Mortgage Loans (as defined herein) from Mortgage Lenders (as defined herein); and

WHEREAS, Servicer was selected pursuant to a Request for Proposals for Master Servicer issued by the Authority, and has entered into a Master Mortgage Pooling and Servicing Agreement as a cooperative venture with the Authority; and

WHEREAS, the Mortgage Lender desires to participate in the Program; and

WHEREAS, this Mortgage Origination Agreement shall supersede the existing mortgage origination agreement in place, if any, between the Authority, its servicer under the Program, and the Mortgage Lender for Mortgage Loans committed to on and after the date of this Agreement;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants, representations, and agreements hereinafter contained, the parties hereto hereby agree as follows:

**ARTICLE I
DEFINITIONS, RULES OF INTERPRETATION
AND STANDARDS**

Section 1.01. Definitions. The following words and phrases shall have the following meanings:

“Act” means Chapter 16 of the Code of Iowa, 2013, as amended and supplemented from time to time.

“Agreement” means this Mortgage Origination Agreement and all schedules, exhibits, amendments and supplements thereto and hereto.

“Annual Family Income” means gross income anticipated to be received by the family during the 12-month period following the purchase of a home using one of the Authority’s home buyer programs, calculated in accordance with the definition found at 24 CFR 5.609 and the Authority’s Program Manual.

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

“Authority” means the Iowa Finance Authority, and any successor to its functions.

“Average Area Purchase Price” means the most current average area purchase price safe harbor limitations from time to time published by the Department of the Treasury, or calculated by the Authority pursuant to guidelines published by the Department of the Treasury in an applicable Revenue Ruling or Revenue Procedure, for areas of the State; provided, however, that at its option or in the absence of such safe harbor limitations or guidelines, the average area purchase prices shall be determined by the Authority in accordance with the Code.

“Bond Counsel” means the firm of Dorsey & Whitney LLP, or any other attorney or firm of attorneys experienced in the area of municipal bonds and designated by the Authority.

“Bondholder” or “Owner”, or any similar term, means the registered owner of any Outstanding Bond or Bonds.

“Bond or Bonds” means the bonds issued from time to time under: (i) the General Bond Resolution adopted by the Authority on July 10, 1991, as amended and supplemented, and under a related Series Resolution; (ii) the General Revenue Bond Resolution adopted by the Authority on November 20, 2009, as amended and supplemented, and under a related Series Resolution; and (iii) under any other bond resolution or indenture adopted in connection with the Program.

“Borrower” means any person who would qualify as a Mortgagor but as to which the closing of a Mortgage Loan has not yet occurred.

“Borrower’s and Seller’s Certification” or “Borrower’s or Seller’s Affidavit and Certification” means the forms of Affidavit of Purchaser, and Seller’s Affidavit and Certification, Forms

MRB 01 and MRB 03 (as such Forms may be modified pursuant to Section 8.14 hereof), pursuant to which each Borrower and seller must provide certain information and certifications to comply with the Code.

“Business Day” means any day other than (i) a Saturday or Sunday, or (ii) a day on which banking institutions in New York, New York, Minneapolis, Minnesota, or Des Moines, Iowa, are authorized or required by law or executive order to close, or (iii) a day on which the New York Stock Exchange is closed.

“Closing” and “Closing Date” mean the funding of the Mortgage Loan by the Mortgage Lender and the execution and delivery by the Mortgagor of all documents in connection therewith and the date on which such closing occurs.

“Code” means the Internal Revenue Code of 1986, as amended, and all subsequent tax legislation duly enacted by the Congress of the United States of America. Each reference to a section of the Code herein shall be deemed to include the United States Treasury Regulations (whether proposed, temporary or final), in effect with respect or applicable thereto and applicable to the Bonds or the use of the proceeds thereof.

“Commit” or “Commitment” means a binding written commitment by the Mortgage Lender, in the form customarily used by the Mortgage Lender in its owner-occupied home lending practice or in a form customarily used in the mortgage lending industry as may be specified by the Servicer, to a particular Eligible Mortgagor to finance the purchase of a particular Single Family Residence with a Mortgage Loan, which Commitment shall specify a stated expiration date, a stated principal amount and an interest rate equal to the Loan Rate.

“Compliance Package” or “Prior Approval Request” means the documents required to be submitted to the Authority in connection with a request for compliance approval of a particular Mortgage Loan.

“Condominium Owners Association” or “Association of Apartment Owners” means all of the owners of apartments in a condominium acting as a group in accordance with its bylaws and with its declaration as it is duly recorded and as they may be lawfully amended.

“Conventional Mortgage Loan” means a Mortgage Loan other than an FHA Insured Mortgage Loan, VA Guaranteed Mortgage Loan, or a USDA Rural Development Guaranteed Mortgage Loan, satisfying the requirements of Fannie Mae or Freddie Mac, as applicable.

“Cure Period” shall have the meaning assigned to it in Section 4.12 hereof.

“Custodial Agreement” means Form HUD 11215 from a Custodian to GNMA, Freddie Mac or Fannie Mae for the Program.

“Custodian” means the custodian selected by the Servicer and qualified to act as such in accordance with the rules and regulations of the GNMA Guide, the Freddie Mac Guide and the Fannie Mae Guide, or any successor to its functions.

“Default” means one of the events specified in Section 7.01 hereof.

“Defect” or “Defective” shall have the meanings assigned such terms in Section 4.12 hereof.

“Early Payment Default” means either a Borrower has missed one or more payments under a Mortgage Loan and has not brought said delinquency current prior to the Purchase of the Mortgage Loan by the Servicer, or one of the first three payments due to the Servicer have not been made by the Borrower, in either case which directly results in the Mortgage Loan being ineligible for delivery into a GNMA Security, Fannie Mae Security or Freddie Mac Security, or the Borrower defaults on the Mortgage Loan by having 3 delinquent payments, one of those payments from the first three payment due to the Servicer, resulting in 90 days delinquency and the Mortgage Loan has been serviced by the Servicer for less than seven months.

“Eligible Mortgagor” means a Mortgagor or Mortgagors who meet the eligibility criteria set forth in the Program Manual for participation in the Authority’s mortgage financing programs.

“Entry Cost Assistance” means the program established by the Authority to provide down payment and closing costs assistance solely for eligible borrowers under the Program.

“Errors and Omissions Insurance Policy” means a standard form insurance policy, in form and substance as required by Fannie Mae or Freddie Mac, as applicable, insuring against losses from errors or omissions with respect to the Mortgage Loans.

“Escrow Account” means the account by that name created and maintained by the Mortgage Lender until Purchase then by the Servicer.

“Fannie Mae” means Fannie Mae, a federally chartered and stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act (12 U.S.C. Section 1716 *et seq.*), and any successor to its functions.

“Fannie Mae Guide” means the applicable Fannie Mae Selling and Servicing Guide, as amended and supplemented from time to time.

“Fannie Mae Security” means a single pool, guaranteed mortgage pass-through Fannie Mae MBS Security, issued by Fannie Mae in book-entry form, recorded in the name of the Trustee or its nominee, guaranteed as to timely payment of principal and interest by Fannie Mae and backed by Conventional Mortgage Loans in the related Mortgage Pool, with terms as specified in the Program Manual.

“FDIC” means the Federal Deposit Insurance Corporation, or any successor to its functions.

“FHA” means the Federal Housing Administration of the United States Department of Housing and Urban Development, and any successor to its functions.

“FHA Insurance” means FHA mortgage insurance issued under one of the following FHA Insurance programs pursuant to the National Housing Act: (i) FHA §203(b), Home Unsubsidized, including FHA mortgage insurance processed pursuant to FHA §223(e); (ii) FHA §220; (iii) FHA §234(c), Condominiums; and (iv) FHA §203(b)(2), Veteran’s Status.

“FHA Insured” means insured by FHA Insurance.

“FirstHome Program” means the Authority’s program to finance the acquisition of Single Family Residences by purchasing GNMA Securities, Freddie Mac Securities and Fannie Mae Securities with proceeds of the Bonds as contemplated by this Agreement.



“First-Time Homebuyer” means a Mortgagor who has not had an ownership interest in his or her principal residence at any time during the three-year period ending on the date the Mortgage is executed, as more fully described in Section 4.07 hereof.

“Flood Insurance Policy” means the federal flood insurance policy described in Section 4.13(g) hereof.

“Freddie Mac” means Freddie Mac, a shareholder-owned government-sponsored enterprise created on July 24, 1970, pursuant to the Federal Home Loan Mortgage Corporation Act, Title III of the Emergency Home Finance Act of 1970, as amended, and any successor to its functions.

“Freddie Mac Guide” means the applicable Freddie Mac Single-Family Seller/Servicer Guide, as amended and supplemented from time to time.

“Freddie Mac Security” means a single pool, guaranteed mortgage pass-through Freddie Mac PC Security, issued by Freddie Mac in book-entry form, recorded in the name of the Trustee or its nominee, guaranteed as to timely payment of principal and interest by Freddie Mac and backed by Conventional Mortgage Loans in the related Mortgage Pool, with terms as specified in the Program Manual.

“GNMA” means the Government National Mortgage Association, a wholly owned corporate instrumentality of the United States within HUD, and any successor to its functions. Its powers are prescribed generally by Title III of the National Housing Act, as amended (12 U.S.C., §1716 et. seq.).

“GNMA Guide” means the consolidated GNMA III Mortgage Backed Securities Guide 5500.3, as applicable, or other GNMA Guides then in effect on the date of its application, if any, hereunder.

“GNMA Security” means a custom pool, fully-modified mortgage-backed GNMA I Security or GNMA II Security, issued by the Servicer, registered in the name of the Trustee or its nominee, guaranteed as to timely payment of principal and interest by GNMA pursuant to Section 306(g) of Title III of the National Housing Act of 1934 and the regulations promulgated thereunder and backed by FHA Insured Mortgage Loans, USDA Rural Development Guaranteed Mortgage Loans or VA Guaranteed Mortgage Loans in the related Mortgage Pool, with terms as specified in the Program Manual.

“General Bond Resolution” means the Single Family Mortgage Bond Resolution, adopted by the Authority on July 10, 1991, as amended through and including the date hereof, and as the same may be amended or supplemented from time to time in accordance with the provisions thereof.

“General Revenue Bond Resolution” means the Single Family Mortgage Revenue Bond Resolution adopted by the Authority on November 20, 2009, as amended and supplemented from time to time in accordance with the provisions thereof.

“Government Obligations” means direct obligations of the United States of America, or obligations the principal of and interest on which are fully guaranteed by the United States of America.

“Home” means a Single Family Residence, as hereinafter defined.

“Homes for Iowans Program” means the Authority’s program to finance the acquisition of Single Family Residences by purchasing GNMA Securities, Freddie Mac Securities and Fannie Mae Securities as contemplated by this Agreement.

“HUD” means the United States Department of Housing and Urban Development, and any successor to its functions.

“Loan Rate” means the interest rate per annum with respect to the Mortgage Loans to be pooled for purchase from the proceeds of the Bonds, as specified in the Program Manual.

“Maximum Household Income Limit” means the maximum Annual Family Income permitted by the Program of an Eligible Mortgagor, determined pursuant to Section 4.08 hereof, as may be modified from time to time by the Authority.

“Maximum Purchase Price” means the maximum purchase price amounts permitted for the Program, respectively, for (i) residences not previously occupied (“new residences”), and (ii) residences previously occupied (“existing residences”), for the metropolitan statistical areas (MSAs) and all other areas of the State specified in the Program Manual.

“MBS Agreement” means the agreement by and between the Servicer and GNMA authorizing the Servicer to issue GNMA Securities.

“Mortgage” means the written instrument securing the related Mortgage Loan and encumbering a Single Family Residence, which instrument shall be the then-effective form required by FHA for FHA Insured Mortgage Loans, the form required by VA for VA Guaranteed Mortgage Loans, the form required by USDA Rural Development for USDA Rural Development Guaranteed Mortgage Loans, and the form required by the PMI Insurer and Freddie Mac or Fannie Mae for Conventional Mortgage Loans, as applicable, with appropriate riders, and with such modifications as may be required by the terms hereof (particularly the restrictions set forth in Forms MRB 14A and 14B, as applicable).

“Mortgage-Backed Securities” means GNMA Securities, Freddie Mac Securities and/or Fannie Mae Securities, secured by pools of Mortgage Loans issued and acquired pursuant to the Program.

“Mortgage File” means the mortgage documents pertaining to a particular Mortgage Loan, as applicable to FHA Insured, USDA Rural Development Guaranteed, VA Guaranteed and Conventional Mortgage Loans, and all other documents as are customarily maintained in mortgage loan files by private institutional mortgage servicers; provided that there need be contained only a copy (or other evidence satisfactory to the Servicer) of hazard or other insurance policies the original of which is not customarily held by a mortgagee; and further provided that, to the extent agreed to by the Authority in writing, all or a portion of the documents may be maintained in the form of photocopies, microfilm or micro fiche copies, or copies maintained on computer disk or by other electronic means.

“Mortgage Lender” or “the Mortgage Lender” means the party executing this Agreement on the final execution page hereof, being a home mortgage lending institution or entity approved by the Authority (i) which has been doing business on a regular basis in the State and is currently participating in the local private home lending market, (ii) which, if originating FHA Insured or VA Guaranteed or USDA Rural Development Guaranteed Mortgage Loans, is a FHA, VA, or USDA Rural Development approved mortgagee, as applicable, or, if originating Conventional Mortgage Loans, is an approved mortgage lender in the State, (iii) which can make the representations, warranties and covenants set forth in Section 2.02, (iv) which has agreed to originate and sell Mortgage Loans with servicing released pursuant hereto, and (v) which has been approved by the Authority, based on the terms set forth in the



Program Manual and the Authority's judgment as to whether such entity satisfies the requirements of this Agreement.

"Mortgage Lenders" or "a Mortgage Lender" means all, or any one, of the financial institutions (including the Mortgage Lender) which have signed agreements similar to this Agreement with respect to the Program.

"Mortgage Loan" means a mortgage loan to an Eligible Mortgagor evidenced by a Mortgage Note secured by a related Mortgage on a Single Family Residence located in the State, which Mortgage Loan the Servicer purchases from the Mortgage Lender pursuant to this Agreement and the terms of which comply with this Agreement.

"Mortgage Note" means the written instrument executed to evidence the Mortgagor's obligation to repay the Mortgage Loan, which shall be the then-effective form of mortgage note required by FHA for FHA Insured Mortgage Loans, or the form required by VA for VA Guaranteed Mortgage Loans, the form required by USDA Rural Development for USDA Rural Development Guaranteed Mortgage Loans, or the form required by the PMI Insurer and Freddie Mac or Fannie Mae for Conventional Mortgage Loans, as applicable.

"Mortgage Purchase" or "Purchase" means any closing held pursuant to Section 4.10 hereof, at which a Mortgage Loan is sold by the Mortgage Lender to the Servicer.

"Mortgage Purchase Date" or "Purchase Date" means the date on which a Mortgage Purchase occurs.

"Mortgagor" means any person who has a present ownership interest in a Single Family Residence subject to the related Mortgage and/or executes the Mortgage.

"Non-Qualifying Mortgage Loan" shall have the meaning assigned to it in Section 4.12 hereto.

"Notice Address" means:

(a) As to the Authority:

Iowa Finance Authority
1963 Bell Avenue, Suite 200
Des Moines, Iowa 50315
Attention: Chief Financial Officer

(b) As to the Servicer:

Idaho Housing and Finance Association
P.O. Box 7899
Boise, Idaho 83709
Attention: Vice President, Homeownership Lending

(c) As to the Trustee:

Wells Fargo Bank, National Association
625 Marquette Avenue, 11th Floor
MAC N9311-115
Minneapolis, Minnesota 55479
Attention: Corporate Trust Division

- (d) As to the Mortgage Lender, the address shown on the signature page of this Agreement executed by the Mortgage Lender.

“Permitted Encumbrances” means liens, encumbrances and clouds on the legal title of a Home permitted by FHA, USDA Rural Development, VA or the PMI Insurer and Fannie Mae or Freddie Mac, as applicable.

“PMI Insurer” means a private mortgage insurance company approved by Fannie Mae or Freddie Mac, as applicable, providing Private Mortgage Guaranty Insurance on Conventional Mortgage Loans.

“Pool” means all the Mortgage Loans securing a particular GNMA Security, Freddie Mac Security or Fannie Mae Security.

“Pool Purchase Contract” means, as applicable, either the Freddie Mac Purchase Contract or the Fannie Mae Pool Purchase Contract, entered into by Freddie Mac or Fannie Mae, as applicable, and the Servicer relating to the sale by the Servicer of Mortgage Loans to Freddie Mac or Fannie Mae, as applicable, and the servicing thereof, as from time to time supplemented and amended.

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

“Program” means the FirstHome Program and the Homes for Iowans Program.

“Program Documents” means this Agreement, the Servicing Agreement, the Pool Purchase Contract and the MBS Agreement.

“Program Manual” means the manual, describing definitions, terms and conditions relating to originating loans in the Program, including documents posted on the Authority’s web page for the Program, as amended and supplemented from time to time, provided to the Mortgage Lenders by the Authority or the Servicer describing procedures for loan delivery.

“Purchase” means Mortgage Purchase, as defined above.

“Purchase Date” means Mortgage Purchase Date, as defined above.

“Purchase Price” means the cost of acquiring a residence from the seller thereof as a completed residential unit, as more fully described in Section 4.06 hereof.

“Qualified Appraiser” means an individual that is accepted by FHA, VA or USDA Rural Development or the PMI Insurer and Fannie Mae or Freddie Mac, as applicable.

“Qualified Census Tracts” means those areas within the State constituting Targeted Areas which are described in the Program Manual, as such may be amended from time to time.

“Qualified Condominium Unit” means a dwelling unit in a horizontal property regime or a condominium unit pursuant to State law, meeting the requirements of the Freddie Mac Guide, the Fannie Mae Guide, or acceptable to the FHA,, RD or VA, as applicable.

“Qualified Insurer” means any insurance company that is approved by FHA, VA, USDA Rural Development, a PMI Insurer, Freddie Mac or Fannie Mae, as applicable, to provide insurance required by the Program on Single Family Residences in the State.

“Qualifying Mortgage Loan” means a Mortgage Loan which is not a Non-Qualifying Mortgage Loan.

“Resolution” means, as applicable, the General Bond Resolution and each Series Resolution thereunder, the General Revenue Bond Resolution and each Series Resolution thereunder, and each additional resolution or indenture adopted in connection with the Program.

“Series Resolution” means a series resolution of the Authority adopted in connection with an issue of Bonds.

“Servicer” means Idaho Housing and Finance Association, its successors and assigns as Servicer hereunder and under the Servicing Agreement, or any substitute or successor appointed pursuant to the Servicing Agreement.

“Servicing Agreement” means the Master Mortgage Pooling and Servicing Agreement dated as of January 1, 2014, by and between the Authority and the Servicer, as the same may be amended from time to time.

“Servicing Release Premium” means the amounts determined pursuant to Exhibit A hereto, to be paid by the Servicer to Mortgage Lenders at the time of loan purchase for release of the Mortgage Lender’s servicing rights to the Servicer at the Authority’s direction, in connection with each Mortgage Loan originated or purchased by Servicer. Exhibit A may be amended from time to time by the Authority, in its sole discretion.

“Single Family Residence” or “Home” means a single family private detached or attached owner-occupied house, rowhouse, townhouse or condominium containing complete living facilities and facilities functionally related and subordinate thereto which is located within the State, including a condominium unit if such unit is a Qualified Condominium Unit, and land appurtenant thereto.

“Standard Hazard Insurance Policy” means a standard homeowner’s fire insurance policy with extended coverage as approved by the Insurance Commissioner of the State.

“State” means the State of Iowa.

“Supplemental Notice” means a written notice from the Authority to all affected Mortgage Lenders and the Servicer, and by which the Authority exercises its reserved right to modify certain provisions of this Agreement as provided in Section 8.01 hereof.

“Targeted Area” means an area within the state listed as one of the Qualified Census Tracts or “areas of chronic economic distress” designated and approved as provided by the Code, and described in the Program Manual as such may be amended from time to time.

“Targeted Area Loans” means Mortgage Loans secured by Mortgages on Single Family Residences located in a Targeted Area.



“Trustee” means Wells Fargo Bank, National Association, and its successors and assigns.

“USDA Rural Development” means Rural Development, a division of the United States Department of Agriculture, and any successor to its functions. Its powers are prescribed by the Housing Act of 1949, as amended.

“USDA Rural Development Guaranteed” means guaranteed by USDA Rural Development under the USDA Rural Development Guaranteed Rural Housing Loan Program.

“USDA Rural Development Guaranty” means a loan note guaranty by USDA Rural Development under the USDA Rural Development Guaranteed Rural Housing Loan Program.

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

“VA Guaranteed” means guaranteed by the VA under the Serviceman’s Readjustment Act of 1944, as amended.

“VA Guaranty” means a guaranty by the VA under the Serviceman’s Readjustment Act of 1944, as amended.

Unless otherwise defined herein, all words and phrases defined in Article I of the General Bond Resolution, the Series Resolution and the Servicing Agreement shall have the same meaning herein.

Section 1.02. Rules of Interpretation. The following principles govern the interpretation of other words and phrases used in this Agreement:

(a) Captions, titles or headings preceding any article, section or subsection herein, and any table of contents or index attached hereto, are solely for convenience of reference and are not part of this Agreement, and shall not affect its meaning, construction, or effect.

(b) Terms such as “herein”, “hereunder”, “hereby”, and “hereof” refer to this Agreement and not to any particular section hereof unless so indicated; “heretofore” and “hereafter” mean before and after the date of execution and delivery of this Agreement.

(c) Words importing the masculine, feminine or neuter genders include the other genders.

(d) Except as to Mortgagors, words importing persons include firms, associations, corporations, and other entities.

(e) Words importing the singular number include the plural number, and vice versa.

(f) All references in this instrument to designated “Articles”, “Sections”, “Exhibits”, “Forms”, “Schedules” and other subdivisions are to the designated Articles, Sections, Exhibits, Forms, Schedules and other subdivisions of or referenced by this instrument as originally executed or to Exhibits, Forms or Schedules as modified, amended or replaced pursuant hereto.

(g) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles.



(h) Words or terms in this Agreement capitalized but not defined herein shall have the meaning given those words or terms in the Resolution or the Servicing Agreement.

(i) Articles, sections, subsections, clauses, exhibits, forms and schedules mentioned by number or letter only are those so numbered or lettered which are contained in or attached to this Agreement.

(j) References to the Bonds or the interest thereon as “tax-exempt” or to the “tax-exempt status of the Bonds” are to the exclusion of interest from gross income pursuant to Section 103(a) of the Code, irrespective of such forms of taxation as the alternative minimum tax or branch profits tax on foreign corporations, as is consistent with the approach taken in Section 59(i) of the Code.

Section 1.03. Standards. (a) The Mortgage Lender shall perform its duties and obligations under this Agreement with the degree of care and skill ordinarily exercised by mortgage lenders located or doing business in the State; except that to the extent that this Agreement imposes a higher or different standard upon the Mortgage Lender, the Mortgage Lender shall comply with such higher or different standard.

(b) The duties, functions and responsibilities of the Servicer under this Agreement shall be exercised with the degree of care set forth in the Servicing Agreement.

ARTICLE II REPRESENTATIONS

Section 2.01. Representations, Warranties and Covenants of the Authority. The Authority represents and warrants to, and covenants with, the Mortgage Lender and the Servicer that:

(a) Organization and Authorization. The Iowa Finance Authority is a public instrumentality and agency of the State, acting pursuant to the Act and the Resolution duly adopted by the Authority, and the Authority has duly authorized the execution and delivery of this Agreement.

(b) Public Purposes. The Authority has found and determined that the purchase of Mortgage-Backed Securities under the terms hereof will further the purposes of the Act by assisting in the provision of decent, safe and sanitary residential housing available within the State.

(c) Compliance; Power and Authority. The Authority has complied with all of the provisions of the Constitution and laws of the State, including the Act, and has full power and authority to consummate all transactions contemplated by this Agreement, the Servicing Agreement, the Bonds, the General Bond Resolution, each Series Resolution, and any and all other agreements, documents and instruments relating thereto.

(d) The Bonds. To accomplish the foregoing, the Authority may issue its Bonds from time to time on the terms and conditions set forth in the Resolution and uses the proceeds of the sale of the Bonds for the purpose of financing the purchase of Mortgage-Backed Securities backed by pools of Mortgage Loans as specified herein.

(e) Valid and Binding Obligations. This Agreement, the Servicing Agreement and all documents and instruments contemplated hereby and thereby, when executed and delivered by the Authority, and the Bonds, when issued and authenticated in accordance with the Resolution, will constitute valid, legal and binding obligations of the Authority, enforceable against the Authority in accordance with their respective terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, or other laws or equitable principles affecting creditors' rights generally, and do not and will not conflict with or result in a breach of any of the terms, conditions or provisions of any legal restriction or any agreement or instrument to which the Authority is now a party or by which it is bound or constitute a default under any of the foregoing.

Section 2.02. Representations, Warranties, and Covenants of the Mortgage Lender. The Mortgage Lender represents and warrants to, and covenants with, the Authority and the Servicer that:

(a) Due Organization and Authority. The Mortgage Lender is a corporation duly organized and existing under the laws of the state in which it was incorporated, or is duly chartered or incorporated under federal law, is duly authorized to transact business in the State, and customarily provides service or otherwise aids in financing mortgages located in the State.

(b) State Supervision; Merger or Consolidation. The Mortgage Lender agrees that during the term of this Agreement it will remain subject to supervision and examination by State or federal authorities, as may be applicable, and that it will remain in good standing and qualified to do business under the laws of the United States of America, the state of its organization and of the State, as applicable, and that it has and will maintain all necessary licenses under the laws of the United States of America, the state of its organization and of the State, as applicable, will not dissolve or otherwise dispose of all or substantially all of its assets, and will not voluntarily consolidate with or merge into any other entity or permit one or more other entities to consolidate with or merge into it; provided, that, the



Mortgage Lender may, without violating this subsection, consolidate with or merge into another entity, or permit one or more entities to consolidate with or merge into it, or sell or otherwise transfer to another such entity all or substantially all of its assets as an entirety and thereafter dissolve; provided the surviving, resulting or transferee entity, as the case may be, shall be subject to the supervision and examination of state or federal authorities, as may be applicable, and shall assume in writing all of the obligations of the Mortgage Lender hereunder (in the case of a sale of all or substantially all of the Mortgage Lender's assets, the Authority shall release the Mortgage Lender in writing, concurrently with and contingent upon such assumption, from all liability hereunder).

(c) Power and Authority. The Mortgage Lender has full power and authority to execute and deliver this Agreement, to accept the terms hereof, to enter into the transactions contemplated hereby; and the execution, acceptance and performance hereof has been duly authorized by all necessary corporate and other action.

(d) No Conflict or Breach. The execution and delivery of this Agreement by such Mortgage Lender in the manner contemplated herein and the performance and compliance with the terms hereof by such Mortgage Lender do not and will not violate (i) its certificate or articles of incorporation or its bylaws, or (ii) any laws which could have any material adverse effect whatsoever upon the validity, performance or enforceability of any of the terms of this Agreement applicable to such Mortgage Lender, and do not and will not constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, conflict with or result in the breach of, any legal restriction, contract, agreement or other instrument to which such Mortgage Lender is a party or which may be applicable to it or any of its assets.

(e) Consents or Approvals. The execution and delivery of this Agreement by such Mortgage Lender in the manner contemplated herein and the performance and compliance with the terms hereof by such Mortgage Lender do not require the consent or approval of any governmental authority, or, if such consent or approval is required, it has been obtained.

(f) Valid and Binding Obligations. This Agreement and all documents and instruments contemplated hereby, which are executed and delivered by such Mortgage Lender, will constitute valid, legal and binding obligations of such Mortgage Lender, enforceable against such Mortgage Lender in accordance with their respective terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other laws or equitable principles affecting creditors' rights generally.

(g) Tax-Exempt Status of Bonds. The Mortgage Lender will not knowingly take any action, or permit any action which is within its control to be taken, which would impair the exclusion from gross income of interest on the Bonds under Section 143 of the Code; provided that this covenant shall not apply to the issuance of taxable Bonds.

(h) Limits on Purchase of Bonds. The Mortgage Lender (including a "related person" thereto, within the meaning of Section 144(a)(3) of the Code) may purchase Bonds; however, it shall not, pursuant to any arrangement, formal or informal, purchase Bonds in an amount related to the amount of Mortgage Loans to be originated by the Mortgage Lender pursuant to this Agreement.

(i) Authorized to Make Loans. The Mortgage Lender is a mortgage banker, mortgage company or other financial institution that customarily provides service or otherwise aids in the financing of mortgage loans on single-family residential housing, or is a holding company of one or more of the foregoing, and such Mortgage Lender is currently authorized to make mortgage loans in the State, and will remain so authorized.



(j) Office of Origination Activity. The Mortgage Lender has an office within the State, or has demonstrated to the Authority's satisfaction that it originates a substantial number of residential mortgage loans with respect to Homes located within the boundaries of the State on a regular basis.

(k) FHA and/or VA and/or USDA Rural Development. The Mortgage Lender is (i) if originating FHA Insured Mortgage Loans, an FHA-approved mortgagee in good standing, (ii) if originating VA Guaranteed Mortgage Loans, an eligible lender in good standing for VA-Guaranteed Mortgage Loans, or (iii) if originating USDA Rural Development Guaranteed Mortgage Loans, an eligible lender in good standing for USDA Rural Development Guaranteed Mortgage Loans.

(l) Originating; Compliance. The Mortgage Lender will comply, (i) with respect to each FHA Insured Mortgage Loan, with the National Housing Act of 1934, as amended, with all rules and regulations issued thereunder and with all applicable administrative publications, (ii) with respect to each VA Guaranteed Mortgage Loan, with the Serviceman's Readjustment Act of 1944, as amended, with all rules and regulations issued thereunder and with all administrative publications, (iii) with respect to each USDA Rural Development Guaranteed Mortgage Loan, with the Housing Act of 1949, as amended, all rules and regulations issued thereunder, and all applicable administrative publications, (iv) as to each Conventional Mortgage Loan with the requirements of the PMI Insurer, the Pool Purchase Contract, the Fannie Mae Guide and all rules and guidelines of Fannie Mae or the Freddie Mac Guide and all rules and guidelines of Freddie Mac, (v) with respect to each Mortgage Loan, with all the requirements of the Code and with the "Representations and Warranties of Lender" set forth herein, and (vi) with any and all applicable laws governing or regulating the origination of mortgage loans.

(m) No Fiduciary Relationship or Interest in Funds. Notwithstanding any other provisions of this Agreement, under no circumstances shall this Agreement or the relationship between the Authority and the Mortgage Lender or the Mortgage Lender and the Servicer created thereby be construed as creating a fiduciary relationship between the Authority and the Mortgage Lender or the Mortgage Lender and the Servicer, or as granting to, or creating in, the Mortgage Lender any legal or equitable interest, right or title in or to any funds or accounts created under the Resolution.

(n) Indemnification. The Mortgage Lender will indemnify and hold harmless the Authority, the Servicer and their officers, directors, board members, employees and agents against liability for all claims, causes of action, costs and expenses (including attorneys' fees), judgments, fines and penalties that may be related to or arise out of any act or omission of the Mortgage Lender, its agents or employees hereunder or any violation of law resulting from an act or omission of the Mortgage Lender, its agents or employees hereunder.

(o) Nondiscrimination. The Mortgage Lender will comply with the applicable nondiscriminatory provisions of the Civil Rights Act of 1964, the regulations promulgated thereunder, and Executive Order 11246, Equal Employment Opportunity, dated September 24, 1965, where applicable, and any applicable federal or State laws, rules, regulations and orders of general applicability pertaining to the extension of credit to finance the purchase of Single Family Residences.

(p) Expectation of Performance. At the date hereof and the date of the actual execution hereof, the Mortgage Lender does not believe, nor does it have any reason or cause to believe, that it cannot perform each and every covenant contained in this Agreement. From time to time, the Mortgage Lender will submit to the Authority and to the Servicer any reasonably requested information relating to the Mortgage Loans, and will do every act and thing which may be necessary or required to perform its duties under this Agreement and to comply with the Program Manual.



(q) Mortgage Loans Security for the Bonds. The Mortgage Lender recognizes that Mortgage Loans to be delivered by the Mortgage Lenders under this Agreement may form the primary security for, and the primary source of revenue for, the payment of the Bonds.

(r) Representations in Certificates. The representations and information set forth in the certificates, statements, reports and other documents to be provided to the Servicer and the Authority in connection with the purchase by the Servicer of each Mortgage Loan will be true and accurate and contain no untrue statement of a material fact or omit to state a material fact necessary to make the information, in such certificate, statement, report and other documents not misleading, and may be relied upon by the Servicer and the Authority.

(s) No Litigation. There is no litigation pending, or, to the Mortgage Lender's knowledge, threatened, affecting the right of any of the present members of the board of directors or officers of the Mortgage Lender to their respective offices or their jurisdiction or authority over the affairs of the Mortgage Lender, nor in any way questioning the execution or validity of this Agreement; there are no other legal or governmental proceedings other than ordinary routine litigation incidental to the business conducted by the Mortgage Lender pending or (to the best of the Mortgage Lender's knowledge) threatened or contemplated by which the Mortgage Lender may be bound or to which any property of the Mortgage Lender is or may be subject, which, if determined adversely to the Mortgage Lender, would individually or in the aggregate have a material adverse effect on the ability of the Mortgage Lender to perform its obligations hereunder or on the financial position or results of the operations of the Mortgage Lender or result in money damages arising out of an alleged error or omissions claim.

(t) Recapture. The Mortgage Lender acknowledges that pursuant to Section 143(m) of the Code, federal law may require that under certain circumstances all or a portion of the subsidy provided by the Bonds may be recaptured on disposition of the Home by the Mortgagor. The Mortgage Lender will provide information to Mortgagors (as supplied by the Authority) regarding such recapture.

(u) Mortgage Documents. Each Mortgage Lender shall provide to the Authority or Servicer, at the expense of the Mortgage Lender, copies of all Mortgage File documents, loan applications and all related materials from its file on each Mortgage Loan, which the Authority or Servicer shall request.

(v) Books and Records. Such Mortgage Lender shall keep proper books, records and accounts in which complete and correct copies of all certificates and documents required to be filed with it hereunder shall be maintained and preserved for a reasonable period of time. Such Mortgage Lender shall make such books and records available for inspection by the Authority, the Trustee and the Servicer, during reasonable hours and under reasonable conditions. The Authority, the Servicer or the Trustee shall have the right to require such Mortgage Lender to furnish said documents, at the expense of such Mortgage Lender, as such requesting entity, in its sole discretion and from time to time, deems necessary to determine compliance with the provisions of the Resolution, the applicable custodial agreement and this Agreement.

(w) Liability for Performance. Any review or approval by the Authority or Servicer of any Mortgage Loan or the credit or tax compliance information in connection therewith shall not relieve such Mortgage Lender of any responsibility or liability for the performance or nonperformance of its obligations under this Agreement.

(x) Final Documentation. All final documentation must be delivered to the Servicer within 90 days of the date of purchase. Failure to provide documentation within this timeframe may result in penalties or possible repurchase of the loan.



(y) Non-Compliance. The Mortgage Lender will immediately notify the Servicer and the Authority if it is no longer in compliance with (a) through (x) above.

Section 2.03. Representations, Warranties and Covenants of the Servicer. The Servicer represents and warrants to, and covenants with, the Mortgage Lender and the Authority that:

(a) Organization and Authority. The Servicer is an independent public body corporate and politic of the State of Idaho, authorized and in good standing to transact business in the State, and possesses all requisite authority, power, licenses, permits and franchises to conduct any and all business contemplated by the Program Documents, and to execute, deliver and comply with its obligations under the terms of this Agreement, the execution and delivery and performance of which have been duly authorized by all necessary corporate action.

(b) No Conflict or Breach. The execution and delivery of the Program Documents by the Servicer in the manner contemplated herein and the performance and compliance with the terms hereof by it will not violate (i) its enabling statute, or (ii) any laws which could have any material adverse effect whatsoever upon the validity, performance or enforceability of any of the terms of this Agreement applicable to the Servicer, and will not constitute a material default (or an event which, with notice or lapse of time, or both, would constitute a material default) under, or result in the breach of, any material contract, agreement or other instrument to which the Servicer is a party or which may be applicable to it or any of its assets.

(c) Consents or Approvals. The execution and delivery of the Program Documents by the Servicer in the manner contemplated herein and the performance and compliance with the terms hereof by it do not require the consent or approval of any governmental authority; or, if such consent or approval is required, it has been obtained.

(d) Valid and Binding Obligations. The Program Documents, and all documents and instruments contemplated hereby which are executed and delivered by the Servicer, will constitute valid, legal and binding obligations of the Servicer, enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by applicable debtor relief laws and principles of equity.

(e) Freddie Mac/Fannie Mae/GNMA Approved. The Servicer is approved by GNMA, is seeking approval from Freddie Mac and is approved by Fannie Mae to sell and service the type of Mortgage Loans to be originated under the Program, is an FHA/VA/USDA Rural Development-approved mortgagee, meets all the eligibility requirements of GNMA and Fannie Mae, and is seeking such approval from Freddie Mac (including net worth requirements), is approved by GNMA to issue mortgage-backed securities guaranteed by GNMA pursuant to Section 306(g) of Title III of the National Housing Act and applicable regulations thereunder, is seeking approval by Freddie Mac to deliver mortgage loans to Freddie Mac to back mortgage-backed securities issued and guaranteed by Freddie Mac, and is approved by Fannie Mae to deliver mortgage loans to Fannie Mae to back mortgage-backed securities issued and guaranteed by Fannie Mae.

(f) Servicer. The Servicer is organized and operated for the purpose, among others, of issuing mortgage-backed securities guaranteed by GNMA and delivering mortgage-backed securities guaranteed by Freddie Mac and Fannie Mae, has full power and authority under its organizational documents and applicable laws to execute and deliver the GNMA Securities, to deliver the Freddie Mac Securities and the Fannie Mae Securities, to sell loans at the Fannie Mae and Freddie Mac cash windows, and to perform its obligations hereunder and thereunder, and by proper action has duly authorized the execution and delivery of the GNMA Securities and the delivery of the Freddie Mac Securities (upon obtaining necessary approval from Freddie Mac) and the Fannie Mae Securities.



(g) GNMA Securities. Upon the execution and delivery thereof, the GNMA Securities will constitute legal, valid and binding obligations of the Servicer enforceable in accordance with their terms, except as limited by bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors or equitable principles limiting creditors' rights generally; provided, that, no GNMA Security will constitute a liability of, nor evidence any debt against the Servicer, since it is based on and backed by mortgages, and recovery may be made from GNMA in the event of any failure of timely payment as provided for in the GNMA guaranty agreements or contractual agreements appended to the GNMA Securities.

(h) Servicing Compliance. With respect to the servicing of Mortgage Loans, the Servicer will comply, (i) as to each FHA Insured Mortgage Loan, with the National Housing Act of 1934, as amended, all rules and regulations issued thereunder and all applicable administrative publications, (ii) as to each VA Guaranteed Mortgage Loan, with the Servicemen's Readjustment Act of 1944, as amended, all rules and regulations issued thereunder and all applicable administrative publications, (iii) as to each FHA Insured Mortgage Loan or VA Guaranteed Mortgage Loan, with the provisions of the GNMA Guide and all other applicable rules, regulations, policies and guidelines of GNMA, (iv) with respect to each USDA Rural Development Guaranteed Mortgage Loan, with the Housing Act of 1949, as amended, all rules and regulations issued thereunder, and all applicable administrative publications, (v) as to each Conventional Mortgage Loan with the requirements of the PMI Insurer, (vi) as to each Conventional Mortgage Loan, with the provisions of the Pool Purchase Contract, the Freddie Mac Guide and all rules and guidelines of Freddie Mac, and the Fannie Mae Guide and all rules and guidelines of Fannie Mae.

(i) Nondiscrimination. The Servicer will comply with the applicable nondiscrimination provisions of the Civil Rights Act of 1964, the regulations promulgated thereunder, and Executive Order 11246, Equal Employment Opportunity, dated September 24, 1965, where applicable, and any applicable federal or state laws, rules, regulations and orders of general applicability pertaining to the extension of credit to finance the purchase of Single Family Residences, which are applicable to the Servicer's obligations hereunder and under the Servicing Agreement.

(j) Reports to Parties Hereto. From time to time, the Servicer will report to the Mortgage Lender and the Authority, as more fully set forth in this Agreement and the Servicing Agreement, information relating to the Mortgage Loans, and will do every act and thing which may be necessary or reasonably required to perform its duties under this Agreement.

(k) Remain in Good Standing. The Servicer agrees that so long as it shall continue to serve in the capacity contemplated under the terms of this Agreement, it will remain in good standing under the laws of the State and authorized to do business in the State.

(l) Information and Statements. No information or statement furnished in writing or report required hereunder to be delivered to the Mortgage Lender, the Authority or the Trustee will, to the knowledge of the Servicer, contain any inaccurate or untrue statement of a material fact or omit a material fact necessary to make the information, statements or report not misleading.

(m) Limits on Purchase of Bonds. Neither the Servicer nor any "related person" thereto as defined in Section 144(a)(3) of the Code shall acquire Bonds in an amount related to the amount of Mortgage Loans to be serviced by the Servicer pursuant to this Agreement.

Section 2.04. Survival of Representations, Warranties and Covenants. The representations, warranties and covenants of the respective parties hereto shall remain enforceable so long as Bonds are Outstanding or the Program is continuing.



ARTICLE III ISSUANCE OF BONDS; CONTINUOUS LENDING

Section 3.01. Issuance of Bonds; Application of Proceeds of the Bonds. The Authority has issued, sold and delivered its Bonds and will, from time to time as necessary, issue additional series of its Bonds, on the terms and conditions set forth in the Resolution. The Authority will apply the proceeds of the Bonds in the manner required by the Resolution. In addition to funding the purchase of Mortgage Loans from proceeds of its Bonds, the Authority may apply other available sources of funds to such purchases, in its discretion.

Section 3.02. General Obligations. The obligations of the Authority incurred hereunder are and shall be general obligations of the Authority. In no event shall the Bonds constitute an obligation, either general or special, of the State, or constitute or give rise to a pecuniary liability of the State; nor shall the Authority have the power to pledge the general credit or taxing power of the State. Nothing contained hereunder shall permit any person to compel the exercise of the taxing power of the State. The State shall not in any event be liable for the payment of principal of or interest on the Bonds or for the performance of any pledge, mortgage, obligation, or agreement of any kind whatsoever which is undertaken by the Authority, in its capacity as Authority, in this Agreement, in the Resolution or in any related document.

Section 3.03. Continuous Lending. The Authority anticipates having funds available to purchase Mortgage Loans on a continuous basis, thereby allowing for a continuous lending program. The Authority will notify the Servicer and the Mortgage Lender as to the terms under which lending shall be carried out and other applicable conditions as necessary from time to time.

The Mortgage Lender may register applications for the Mortgage Loans with the Authority or Servicer, as appropriate. Applications for Mortgage Loans will be accepted and processed on a first-come, first-served, fair and equal basis.

ARTICLE IV COMMITMENTS TO BUY AND SELL MORTGAGE LOANS

Section 4.01. Commitment to Buy and Sell The Servicer hereby agrees to Purchase and take delivery of Mortgage Loans from the Mortgage Lender, and the Mortgage Lender agrees to originate and thereafter to sell and assign Mortgage Loans to the Servicer at a price described below (less any amounts netted out pursuant to Section 4.10 hereof), all on the conditions and terms set forth herein. The purchase price of the Mortgage Loan shall be paid in accordance with Section 4.10 hereof. Mortgage Loans to mortgagors not receiving Entry Costs Assistance shall be acquired by the Servicer from the Mortgage Lenders at a price equal to 100% of the principal amount thereof plus (i) accrued interest and (ii) the applicable Servicing Release Premium. Mortgage Loans to mortgagors receiving Entry Cost Assistance will be acquired by the Servicer from the Mortgage Lenders at a price equal to 100% of the principal amount thereof plus (i) accrued interest, (ii) the applicable Servicing Release Premium, and (iii) the amount of cash assistance provided by the Mortgage Lender for such Loan, as directed by the Authority.

The Servicer may purchase Mortgage Loans on any Business Day. As a condition to the purchase of each of the Mortgage Loans by the Servicer, the Mortgage Loan shall (i) be current in payments of principal and interest, (ii) be in compliance with the applicable requirements of FHA, VA, USDA Rural Development, the PMI Insurer, the GNMA Guide, Freddie Mac or Fannie Mae, as applicable, (iii) bear interest at the Loan Rate, (iv) be made to an Eligible Mortgagor to finance the acquisition of a Single Family Residence, the Purchase Price of which does not exceed the Maximum Purchase Price described in Section 4.06 hereof, all as provided in this Agreement, and (v) otherwise be made in compliance with this Agreement and the Program Manual.

Section 4.02. Loan Reservations. A Mortgage Lender may reserve funds for a particular loan, on a first-come, first-served basis, in accordance with the procedures set forth in the Program Manual, but must then close and deliver the Mortgage Loan within the time frame specified in the Program Manual. If the Mortgage Loan has a prior reservation, upon the Servicer's approval of such Mortgage Loan for Purchase, the Servicer will notify the Mortgage Lender in writing that funds will be made available to the Mortgage Lender in the amount of such Mortgage Loan.

The Authority has the right unilaterally and in its sole discretion to require any Mortgage Lender to originate a specified Targeted Area Loan from any amounts held available by the Authority for Targeted Area Loans, provided such specified Targeted Area Loan meets the requirements of this Agreement.

Section 4.03. Mortgage Loan Terms. Mortgage Loans shall be made only to Eligible Mortgagors for the purpose of financing the Purchase Price of a Single Family Residence, and not for the purpose of refinancing any existing loan except a construction loan, bridge loan or similar temporary initial financing (with a maximum term of twenty-four (24) months).

Each Mortgage Loan to be sold to the Servicer must be evidenced by a Mortgage Note secured by a first mortgage lien on a fee simple interest in the Single Family Residence acquired thereby, subject only to Permitted Encumbrances, and made substantially in accordance with the Mortgage Lender's then-current underwriting policies and (i) the underwriting policies of FHA or VA, as applicable, and all other requirements established by this Agreement and the then-current criteria set forth in the GNMA Guide, or (ii) the requirements of FHA, VA, USDA Rural Development, or the PMI Insurer and Freddie Mac or Fannie Mae, as applicable, and, in any event, subject to final review by the Servicer hereunder and under the Servicing Agreement. All Mortgage Loans shall be insured by FHA



or guaranteed by VA or USDA Rural Development, or insured by the PMI Insurer, or have a loan to value ratio acceptable to Freddie Mac or Fannie Mae, as applicable.

Each Mortgage Loan (i) will bear interest at the Loan Rate, (ii) will provide for substantially level monthly payments due the first day of each month (which payments shall include amounts for deposit in the Escrow Account to provide for timely payment of taxes and insurance), (iii) will mature in not more than thirty (30) years, as specified in the Program Manual, (iv) will be assumable only under the terms and conditions set forth in Section 5.02 hereof, (v) will comply in all respects to the GNMA Guide and FHA, VA or USDA Rural Development rules and regulations, or to the requirements of the PMI Insurer and Freddie Mac or Fannie Mae, as applicable, (vi) will be in a principal amount not exceeding such amount as conforms to the applicable limitations of FHA, VA, USDA Rural Development or the PMI Insurer and Freddie Mac or Fannie Mae, as applicable, and the GNMA Guide, the Freddie Mac Guide and the Fannie Mae Guide, and (vii) will be the subject of a mortgagee's title guarantee certificate stating that the Mortgage is a valid first lien on the Single Family Residence, subject only to Permitted Encumbrances. With respect to clause (iv) of the preceding sentence, each Mortgage shall have attached to it written provisions as to assumption and/or acceleration. Such written provisions for FHA or VA Mortgages, respectively, shall have been approved for use by FHA or VA, as the case may be.

Additionally, at the time of submission of the Mortgage Loan for purchase, the Mortgage Lender shall provide evidence satisfactory to the Servicer that the Mortgage Lender has applied for FHA Insurance, a VA Guaranty, or a USDA Rural Development Guaranty, or in the case of a Conventional Mortgage Loan, that the Mortgage Lender has received a binding commitment from a PMI Insurer or otherwise meets Freddie Mac or Fannie Mae requirements.

With respect to a unit of a condominium, such unit must be acceptable to FHA or VA, or to the requirements of the PMI Insurer and Freddie Mac or Fannie Mae, as applicable, and shall meet all requirements set forth in the Program Manual.

With respect to manufactured Homes, each such Home must meet GNMA, Freddie Mac or Fannie Mae standards, as applicable, and be acceptable to FHA, VA, USDA Rural Development, or the PMI Insurer, as applicable, and shall meet all requirements set forth in the Program Manual.

Mortgage Loans shall not be originated without providing the Mortgagor the necessary disclosure, if any, regarding potential recapture of federal subsidy as required by Section 143(m) of the Code. Verification of receipt of such notice, if applicable, must accompany the Mortgage File.

Section 4.04. Independent Verifications by Mortgage Lender. The Program eligibility requirements are subject to change from time to time, based on changes to the Code and applicable Regulations, with such changes to be communicated by the Authority to the Mortgage Lender pursuant to section 8.01 hereof. The Mortgage Lender shall use its best efforts to investigate and determine with respect to each Mortgage Loan that all applicable requirements set forth in the Program Manual have been satisfied.

If there has been a significant lapse of time between delivery of the Mortgage File to the Servicer and the delivery of the advice of purchase, the Servicer shall request the Mortgage Lender originating the Mortgage Loan to update the information on the Mortgage Loan.

The obligations of the Mortgage Lender pursuant to this Section 4.04 shall inure to the benefit of the Authority, Trustee, Servicer, Bondholders and any person interested in the exclusion from gross income of interest on the Bonds under Section 143 of the Code.



Section 4.05. Origination Fees and Closing Costs. In connection with each Mortgage Loan, the Mortgage Lender may charge and collect such fees from the Borrower and/or seller as the Authority may from time to time specify in the Program Manual or as otherwise specified by the Authority, including any applicable secondary mortgage market fees. In no event may the Mortgage Lender receive the fees specified in this paragraph (a) from the Borrower prior to the loan closing or if the loan does not close.

The Mortgage Lender shall (i) inform Borrowers of the availability of Entry Cost Assistance, (ii) assist in identifying Borrowers who might be eligible for such assistance, and (iii) cooperate with the Authority and the Servicer in making such assistance available to an eligible Borrower.

It is expected that the Mortgage Lender will disburse Mortgage Loan funds on the date the Mortgage Note is executed or as soon thereafter as is customary. Full disbursement of the Mortgage Loan must be accomplished before the Mortgage Loan may be submitted to the Servicer for Purchase unless specifically authorized by the Servicer. The Mortgage Lender may not charge interest to a Mortgagor until the Mortgage Loan proceeds have been disbursed.

The fees and charges described herein are the exclusive fees and charges that may be collected, either directly or indirectly, with respect to the origination of Mortgage Loans by the Mortgage Lender; no additional fees or arrangements whereby the Mortgage Lender receives financial benefit are permitted, except as provided in Section 4.10 hereof.

Section 4.06. Purchase Price of a Single Family Residence: Maximum Purchase Price.

(a) Purchase Price Described. The Purchase Price of a residence is the cost of acquiring the residence from the seller as a completed residential unit. The items included and excluded in determining the cost of acquiring a residence (for the purposes of the Purchase Price limitation) are set forth in the Program Manual.

(b) Maximum Purchase Price. The Purchase Price of a Single Family Residence shall not exceed the Maximum Purchase Price for the applicable Program published by the Authority as part of the Program Manual.

(c) Verification. The Mortgage Lender shall verify portions of the requirements of this Section 4.06 as provided in Sections 4.04(a), (b) and (c) hereof.

Section 4.07 First-Time Homebuyer. Home purchases funded with tax exempt bonds shall be made to Mortgagors meeting the definition of First-Time Homebuyer as set forth in the Program Manual, unless meeting an exception permitted by the Code and communicated by the Authority to the Mortgage Lender.

The Mortgage Lender shall verify the First-Time Homebuyer requirement as set forth in Section 4.04 hereof.

Section 4.08 Maximum Household Income Limits.

Each Mortgage Loan shall be made to a Mortgagor whose Annual Family Income shall not exceed the applicable limits published from time to time by the Authority for each Program.



The Maximum Household Income Limits shall be the limits published by the Authority as part of the Program Manual, which are based on “median income” for each respective area as determined by HUD.

Section 4.09 Preliminary Mortgage Loan Approval; Submission for Purchase and Recertification.

(a) (1) Compliance Approval. The Mortgage Lender may submit the Compliance Package to the Authority at any time after the Mortgage Loan reservation. The Authority will review the Compliance Package and either approve such Mortgage Loan or communicate any conditions that must be resolved to the Mortgage Lender. The Mortgage Lender may choose to close and fund the Mortgage Loan prior to receiving the Authority’s approval of the Compliance Package; provided, however, that the Mortgage Loan will not be eligible to be purchased by the Servicer unless and until the Authority has approved the Compliance Package.

(2) Loan Purchase Approval. After the Authority has reviewed and approved the Compliance Package, the Mortgage File will be reviewed by the Servicer pursuant to the Program Manual which sets forth procedures for all Mortgage Lenders by the Authority and Servicer, prior to the Purchase Date arranged for the Mortgage Loan between the Servicer and Mortgage Lender consistent with Section 4.09(b) and (f) hereto. Upon the Servicer’s approval of the Mortgage Loan for Purchase, the Servicer will (i) deliver an advice of purchase to the Mortgage Lender and the Authority signed by the Servicer as evidence of such approval, and (ii) forward to the Custodian of the Mortgage File documents for GNMA, Freddie Mac and Fannie Mae, such documents as may be required by GNMA, Freddie Mac and Fannie Mae. Any Mortgage Loan with respect to which the Mortgage File is deemed by the Servicer or the Authority in their discretion to be defective will be returned to the Mortgage Lender by the Servicer with all instruments submitted in accordance with this Section. To be purchased, such defective mortgage loan must be resubmitted in accordance with the procedures of this Section. The examination and acceptance of a Mortgage File by the Servicer hereunder shall not constitute a waiver of any warranty, representation or covenant by the Mortgage Lender or the Mortgagor with respect to the Mortgage Loan to which the Compliance Package and Mortgage File pertains.

The Mortgage Lender shall pay all costs of preparing and furnishing the Compliance Package and the Mortgage File to the Authority and Servicer.

(b) GNMA, Freddie Mac and Fannie Mae Securities; Current; Mortgage File; Warranty; Review. The Servicer has no obligation to Purchase Mortgage Loans unless such Mortgage Loans are eligible for inclusion in a GNMA Security, Freddie Mac Security or a Fannie Mae Security; provided, however, that a Mortgage Loan shall not be considered ineligible for inclusion in a GNMA Security as a result of any failure by the Servicer to take such actions as are necessary to obtain GNMA Commitments pursuant to Section 3.01 of the Servicing Agreement. All Mortgage Loans must be current at the time of Purchase by the Servicer. Within ten (10) Business Days after the Mortgage Lender has closed the Mortgage Loan, or such shorter time as the Servicer shall require (but not less than seven (7) days), the Mortgage Lender shall deliver to the Servicer all of the necessary documents (collectively, the “Mortgage File”). The Mortgage Lender hereby warrants that all permitted copies will be true and accurate copies of the respective original documents and instruments. The Servicer shall have at least five (5) Business Days, beginning on the day following receipt of the Mortgage File to review such documents and instruments prior to Purchase, and will return to the Mortgage Lender, for appropriate curative action pursuant to Section 4.12, any such document or instrument which is defective in any material respect. Upon resubmittal, said review period shall begin anew with the same time parameters as set forth above.

(c) Assignment. Prior to the delivery of the Mortgage File to the Servicer in connection with the Purchase of a Mortgage Loan, the Mortgage Lender shall prepare (for filing in



connection with a loan Purchase) an Assignment of Mortgage Note and Mortgage in all offices necessary to perfect the assignment of the Mortgage on behalf of the Servicer under the laws of the State. All loans must be registered in MERS by the Seller, and a MERS transfer of beneficial rights (TOB) and transfer of servicing rights (TOS) must be initiated to Idaho Housing and Finance Association (IHFA) (ORG ID 1009670) within ten (10) business days of purchase by IHFA. An administrative fee may be applied for any loan not registered and/or transferred accurately within ten days of purchase. All notices to insurers under any insurance policies maintained with respect to a Mortgage Loan for the assignment to the Servicer of the servicing of such Mortgage Loan shall be given by each Mortgage Lender prior to Purchase by the Servicer. The Mortgage Lender shall also provide to the Servicer and the Authority such other reports or information regarding the Mortgage Loan being sold by such Mortgage Lender as may be reasonably requested by either of them.

(d) Originals or Certified Copies. Notwithstanding the delivery procedures of this Section 4.09, the Servicer may, in its discretion, accept Mortgage Files which contain certified copies of the Mortgage and the Assignment of Mortgage Note and Mortgage in lieu of the originals of the same and a Title Guaranty Commitment, and may approve the pertinent Mortgage Loan for Purchase without such originals and without the Title Guaranty Certificate if the Mortgage Loan file is otherwise complete, all other Mortgage Documents are present and the Mortgage Loan is subject in all respects to all terms and conditions of this Agreement, and upon such acceptance by the Servicer. The original recorded Mortgage and original recorded Assignment of Mortgage Note and Mortgage and the final Title Guaranty Certificate and FHA Mortgage Insurance Certificate or VA Loan Guaranty Certificate or USDA Rural Development Guaranty must be submitted to the Servicer within sixty (60) days from the Purchase Date of the subject Mortgage Loan. The Servicer shall, upon receipt of such originals and certified copies, if applicable, file copies of the same with the related Mortgage File and shall forward original documents to the Custodian under the Custodial Agreement.

(e) Purchase Date; Notices. The Purchase of Mortgage Loans hereunder shall take place on a Purchase Date arranged between the Servicer and Mortgage Lender consistent with paragraphs (b), (f) and (h) of this Section. All notices to FHA, VA, USDA Rural Development, or the PMI Insurer which are required to be given under applicable FHA, VA, USDA Rural Development, or the PMI Insurer requirements shall be given by the Mortgage Lender prior to Purchase. The Mortgage Lender shall also notify the Mortgagor in writing within ten (10) days of Purchase (with a copy to the Servicer) that checks, money orders or other remittances in payment of the Mortgage Loan must be paid to the order of the Servicer following Purchase of the Mortgage Loan.

(f) Advance Review. The Servicer shall not be obligated to purchase any Mortgage Loan unless such Mortgage Loan has been received by the Servicer for review not later than thirty (30) days following the Closing Date, or such later date as may be approved by the Servicer for good cause.

(g) Escrow Deposits. All Mortgagor payments representing escrow deposits for prepayment of taxes or insurance collected by the Mortgage Lender with respect to a Mortgage Loan prior to the Purchase of such Mortgage Loan shall be held by the Mortgage Lender in the Escrow Account until the Purchase. On the Purchase Date, amounts in the Escrow Account shall be retained by the Mortgage Lender and shall be netted out from the purchase price of the Mortgage Loan in accordance with Section 4.10 hereof.

(h) Delivery. The Mortgage Lender shall deliver the original executed Mortgage, Mortgage Note and Assignment of Mortgage Note and Mortgage to the Servicer in the following manner: (i) the Mortgage Note shall bear the endorsement set forth on the back thereof "Payable to Idaho Housing and Finance Association, without recourse" and be executed by a duly authorized officer of the Originating Lender; (ii) the related Mortgage shall be a copy of the original executed Mortgage accepted for recording in the public office in which recordation is necessary to perfect the security



interest therein, and shall have the appropriate recording information written on the face thereof; and (iii) the related Assignment of Mortgage Note and Mortgage shall be an original executed or a certified copy of the original executed Assignment of Mortgage Note and Mortgage accepted for recording in the public office in which recordation is necessary to perfect the security interest therein. The Mortgage Lender shall deliver to the Servicer the Mortgage File in accordance with the Program Manual, within 120 days after the Purchase of the related Mortgage Loan or such longer time as may be approved by the Servicer for good cause. The Mortgage Lender shall further perform any other action or deed as the Servicer may direct to cause the proper filing or recording (or refiling or re-recording, if necessary) of the Mortgage and the Assignment of Mortgage Note and Mortgage in such other places and in such other manner, form or condition satisfactory to the Servicer as is necessary to perfect the Servicer's interest in each such Mortgage Note and related Mortgage.

(i) Custodian. The Custodian for the Mortgage File documents under the Custodial Agreement will retain (i) the original Mortgage Note, (ii) the recorded assignment of the Mortgage in the form of the Assignment of Mortgage Note and Mortgage in favor of the Servicer, (iii) the original recorded Mortgage, with recordation noted, together with all applicable riders, (iv) all intervening recorded assignments of the Mortgage, (v) the mortgagee's title guaranty certificate, and (vi) the applicable FHA Insurance, VA Loan Guaranty Certificate, USDA Rural Development Guaranty, or PMI Insurance Certificate. All other documents will be retained by the Authority or Servicer, as applicable.

Section 4.10. Purchases of Mortgage Loans. For each Mortgage Loan originated by the Mortgage Lender which is in compliance with all the terms and conditions of this Agreement, for which the Mortgage File and other documents have been prepared and presented to the Servicer in the form and manner required by Section 4.09, for which funds are available, and for which the Servicer certifies that all of the other conditions of this Agreement have been fulfilled, the Servicer shall pay to the Mortgage Lender, under the terms and conditions specified herein, on each Purchase Date for each Mortgage Loan the purchase price described in Section 4.01 hereof, which includes the applicable Servicing Release Premium.

All Mortgagor payments on account of principal, interest, taxes or insurance collected by the Mortgage Lender with respect to a Mortgage Loan prior to the Purchase of such Mortgage Loan shall be held by the Mortgage Lender and shall be transferred by the Mortgage Lender to the Servicer as if such amount had been received subsequent to the Purchase Date. On the Purchase Date, any amounts held in escrow pursuant to Section 4.09 hereof, plus any prepaid interest, shall be, subject to Section 4.18 hereof, netted out from the purchase price of the Mortgage Loan. The Mortgage Lender shall receive from the Servicer the purchase price specified in this Section 4.10, less any amounts netted out. The Mortgage Lender shall retain such amounts and apply them to the purchase price which it receives for the Mortgage Loan.

The Mortgage Lender acknowledges that, as a condition of the Purchase of the Mortgage Loan by the Servicer, the Mortgage Loan shall (i) be current in payments of principal and interest, taxes and insurance, if required, (ii) bear interest at the applicable Loan Rate, and (iii) be in compliance with the requirements of FHA, VA, USDA Rural Development, the PMI Insurer, the GNMA Guide, Freddie Mac or Fannie Mae, as applicable, and this Agreement.

Section 4.11. Maintenance of Mortgage Files. The Servicer shall, at its own expense, maintain the Mortgage File, including copies of the documents which the Custodian shall retain with respect to such Mortgage Loan as provided in Section 4.09 hereof. During the term that the Mortgage Loan is outstanding, the Servicer shall retain, with respect to such Mortgage Loan, the following documents: (1) Affidavit of Purchaser; (2) Seller's Affidavit and Certification; (3) Standard Hazard Insurance Policy and, if applicable, Flood Insurance Policy; and (4) evidence of FHA or VA or USDA Rural Development or PMI Insurer approval, as applicable. In addition, each Mortgage File and the Affidavit of Purchaser and



Seller's Affidavit and Certification (Forms MRB 05 and MRB 06) shall be maintained by the Servicer for a period agreed to by the Authority in writing. The Mortgage Files shall be kept at the Servicer's regular place of business or at its principal place of business (or at such other place as agreed to in writing by the Authority) and shall be available for inspection upon receipt of reasonable notice in writing during the Servicer's regular business hours by the Trustee, the Authority and their respective employees and agents. The Mortgage Lender shall maintain all mortgage loan application materials, documents and memoranda for three (3) years after closing of the Mortgage Loan.

Section 4.12. Defective Documents and Non-Qualifying Mortgage Loans; Repurchase or Indemnification of Mortgage Loans by Mortgage Lender. If any documents constituting a part of the original Mortgage File are defective in any material respect, or if it is determined that document or a Mortgage Loan is a Non-Qualifying Mortgage Loan (as defined below), the Authority or Servicer, whichever shall have knowledge thereof, shall immediately notify the Mortgage Lender (and, if the Authority gives notice, the Servicer) specifying the defect or defects in question and the Mortgage Lender shall cure the defect within a period of thirty (30) days from the earlier of the time the Mortgage Lender discovers such defect or the Mortgage Lender receives notice of such defect from the Authority or Servicer (the "Cure Period"). "Defect" or "Defective" for purposes of this Section 4.12 shall mean a failure to cause the Mortgage Loan to comply with the terms of this Agreement. The Mortgage Lender's warranty shall apply to the life of the loan for fraud, misrepresentation that was known or should have been known by any prudent mortgage lender, and any responsibility of the mortgage lender during the origination process that leads to the loss of the loan insurance or guaranty or impact Mortgage Revenue Bond eligibility.

The Mortgage Lender hereby covenants and agrees that, if any material defect cannot be cured or the Mortgage Loan cannot become a Qualified Mortgage Loan within the Cure Period, the Mortgage Lender will, not later than thirty (30) days after expiration of the Cure Period, repurchase with immediately available moneys the related Mortgage Loan from the Servicer at a price equal to (i) one hundred percent (100%) of the principal remaining unpaid on such Mortgage Loan, (ii) accrued interest, (iii) the Servicing Release Premium paid under Section 4.01 hereof, and (iv) direct third party expenses (including attorney's fees) incurred by the servicer, as a result of, or in connection with, any of the events or circumstances set forth herein as cause for repurchase.

The purchase price for the repurchased Mortgage Loan shall be delivered by the Mortgage Lender to the Servicer, whereupon the Servicer shall notify the Custodian and direct the Custodian to release the related Mortgage Note and Mortgage to the Mortgage Lender and reassign the Mortgage to the Mortgage Lender. Such repurchase shall not relieve the Mortgage Lender of any liability for breach of its warranties or obligations herein. Servicer shall within 30 days receipt of repurchase funds deliver the entire Mortgage File including the original note and evidence of recordation of the Assignment of Mortgage to the Mortgage Lender.

If any Mortgage Loan, underwritten by the Mortgage Lender, becomes 90 days delinquent within the first six months (delinquency directly relevant to first three payments) after the loan was purchased by the Servicer, and is not brought current by the borrower within 90 days of such delinquency, the Mortgage Lender shall refund to the Servicer all service release premiums received from the Servicer with respect to that Mortgage Loan plus an indemnification fee of \$1,000 on conventional loans and \$2,000 on government loans. For this purpose, the borrower shall be considered 90 days delinquent on a monthly payment when that payment and subsequent payments are not received by the Servicer by the first day of the fourth month, regardless of the number of the days in the month. For example, the borrower has not made his/her January, February and March payments by the last day of March, the borrower shall be considered 90 days delinquent.



In the event of indemnification by the Mortgage Lender, said Mortgage Loan shall not be subject to repurchase by the Mortgage Lender. Servicer shall copy the Authority on any required indemnity or repurchase notices to the Mortgage Lender.

As used herein, the term “Non-Qualifying Mortgage Loan” shall mean and include any Mortgage Loan purchased hereunder with respect to which:

(a) Servicer reasonably believes any violations of any rule, regulation, or requirement including required documentation of the applicable agencies i.e. Federal Housing Authority (FHA), Veterans Administration (VA), Rural Housing (RHS), Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (Fannie Mae), Government National Mortgage Association (GNMA) or any other investor as may be identified in the Bond program, or specific guidelines as outlined in the Bond documents/program manuals including failure to deliver all documents of the Mortgage File on a timely basis.

(b) Mortgagors fail to meet any of the Program eligibility criteria as set forth in the Program Manual;

(c) The Mortgage Loan finances costs other than the Purchase Price, provided, however, that the Mortgage Loan may finance mortgage insurance and guaranty fees, or closing costs allowed by FHA, VA, RD, Fannie Mae or Freddie Mac;

(d) Any statements contained in any of the Affidavits of the Borrower, seller, or Mortgage Lender are determined to be incorrect, untrue, misleading or fraudulent;

(e) The Mortgage Loan is a refinancing of an existing loan other than a construction period loan, bridge loan, or similar temporary financing of not more than twenty-four (24) months;

(f) The Mortgage assumption option rider attached to an FHA or VA Mortgage is not approved by FHA or VA, as the case may be;

(g) Any false statement, misstatement, or act of omission of material fact contained in the Mortgage Loan documentation resulting from the Mortgage Lender’s negligence or failure to exercise due diligence as disclosed by actual inspection by the Servicer or its representative, or otherwise disclosed; or

(h) Any representation or warranty made by the Mortgage Lender under this Agreement or Program Documents with respect to any Mortgage Loan shall, in the reasonable opinion of the Servicer, be, in whole or in part and with or without knowledge of the Mortgage Lender, false at the time when made by Mortgage Lender or become false upon the occurrence of subsequent events; or

(i) Any material fraud, misrepresentation or act of omission with respect to the information submitted on a particular Mortgage Loan is determined to exist by the Servicer or another investor. This includes, but is not limited to, Mortgagor or other third party fraud or misrepresentation, and any misrepresentation of Mortgagor’s income, funds on deposit, or employment, or of the occupancy status of the Mortgaged Property; or

(j) Mortgage Lender’s breach of any covenant or obligation to the Servicer with respect to the Mortgage Loan under this Agreement, Bond Documents or Bond Program Documents; or



(k) The Mortgage Loan fails to comply with all the applicable provisions of Sections 4.03, 4.04, 4.13, 4.17 or 4.19 hereof, or the Affidavit of Purchaser and the Seller's Affidavit and Certification; or

(l) The Mortgage Loan otherwise fails to comply with the terms hereof.

With respect to Non-Qualifying Mortgage Loans, each Mortgage Lender hereby covenants and agrees that if any Mortgage Loan is determined by the Servicer to be a Non-Qualifying Mortgage Loan and the defect causing the same cannot be cured, such Mortgage Lender will repurchase or, at the option of the Servicer, will cooperate fully with the Servicer in a foreclosure action with respect to such Mortgage Loan (if possible) or indemnify the Servicer against losses incurred in connection with such foreclosure. Each Mortgage Lender further covenants and agrees that if any fee is assessed by GNMA, Freddie Mac or Fannie Mae, as the case may be, with regard to a Non-Qualifying Mortgage Loan, such Mortgage Lender will pay the amount of the fee to the Servicer. If the Servicer exercises the foreclosure option and if it is not possible for the Servicer to foreclose such Mortgage Loan, then such Mortgage Lender shall be required to repurchase such Mortgage Loan promptly on the terms and conditions set forth in this Section.

Each Mortgage Lender hereby waives any statute of limitations or other law that might otherwise be raised as a defense to any obligation to repurchase a Non-Qualifying Mortgage Loan under this Agreement.

Section 4.13. Representations, Warranties and Covenants of Mortgage Lender Concerning Mortgage Loans. The Mortgage Lender hereby represents and warrants to, and covenants with, the Authority and the Servicer that:

(a) Certification; All Applicable Requirements. Each Mortgage Loan will conform to the representations and warranties contained in this Agreement. Each Mortgage Loan (and all other documents in connection therewith, except the required appraisal) shall have been closed after the execution of this Agreement and the reservation of funds for such Mortgage Loan. The Mortgage Lender certifies that each Mortgage Loan satisfies all applicable requirements set forth in this Agreement.

(b) Fees; First Lien; Residence; Standards; Purposes; etc. Each Mortgage Loan will be made by the Mortgage Lender at a price and with fees, if any, consistent with the Program Manual, will be secured by a Mortgage which shall constitute a first mortgage lien on a Single Family Residence occupied by the Mortgagor as such Mortgagor's permanent place of residence and will be located within the boundaries of the State, will be made substantially in accordance with Fannie Mae's underwriting guidelines and policies, the underwriting standards set forth in the GNMA Guide or the Pool Purchase Contract, as applicable, and the requirements established hereby, subject to acceptance of insurer under the FHA Insurance or VA Guarantee Policy or USDA Rural Development Guarantee Policy or PMI Insurer's Policy, will be made for the purpose of purchasing or providing permanent financing for the Purchase Price of such residence and not for the purpose of refinancing any existing loan (other than a construction, bridge or similar temporary financing with a maximum term of twenty-four (24) months in anticipation of the Authority's financing), will have substantially level payments due the first day of each month (which payments shall include amounts for deposit in the Escrow Account to provide for the timely payment of taxes and insurance) which will amortize the principal to a final maturity as specified in the Program Manual, will be made to an Eligible Mortgagor, and will contain the assumption restrictions required by Section 5.02 hereof.



(c) Loan to Value. The principal amount of the Mortgage Loan will not exceed any applicable loan-to-value limits as established by FHA or VA or USDA Rural Development or the PMI Insurer or GNMA, Freddie Mac or Fannie Mae, as applicable, or as permitted by the Program Manual.

(d) First Lien; Encumbrances. As of the Purchase Date, each Mortgage Loan will be secured by the Mortgage as required under the GNMA Guide, the Freddie Mac Guide or the Fannie Mae Guide, which will constitute a valid first lien on the property financed by the Mortgage Loan, subject only to (a) the lien of current (accrued but not past due) real property taxes and assessments, (b) building and use restrictions not accompanied by title reverter or forfeiture provisions on account of violation and that are not and will not be violated by occupancy and use of the improvements on the property and the property itself for the residential purposes for which the improvements were designed and constructed, (c) rights-of-way and easements for roads, streets, utilities and other similar installations, whether or not of record, provided that such rights-of-way and easements are either of the kind (including location, area occupied, and nature of the installation thereon) acceptable to commercial lending institutions generally, or have been taken into account and reflected in the appraisal made (and correspondingly in the loan amount) in connection with the origination of the Mortgage Loan, and (d) other defects, irregularities, encumbrances, easements, mineral reservations and conveyances and clouds on title that are acceptable to commercial lending institutions generally; provided, however, that none of the foregoing liens or encumbrances shall be permitted if in the opinion of recognized Iowa counsel acceptable to the Servicer such lien(s) or encumbrance(s) individually or in the aggregate materially impairs the security of the Mortgage.

(e) Title. The Mortgage Lender is responsible for obtaining the mortgagee's title guaranty certificate meeting the requirements of this Agreement. As part of the Mortgage Loan closing, the Mortgage Lender must also ensure that an owner's title guaranty certificate is obtained.

(f) Standard Hazard Insurance Policy. As of the Mortgage Purchase Date, the improvements upon the real property subject to the Mortgage Loan will be covered by a valid Standard Hazard Insurance Policy, Flood Insurance Policy, if applicable, and Multi-peril Policy for Condominiums, if applicable, and as required by FHA or VA or USDA Rural Development regulations or the PMI Insurer and the GNMA Guide, Freddie Mac or Fannie Mae, as applicable.

(g) Waivers and Alterations. The terms, covenants and conditions of the Mortgage Loan shall not have been (and shall not, prior to the Mortgage Purchase Date, be) waived, altered, impaired or modified in any respect which would materially affect the value, validity, enforceability, or prompt payment of the Mortgage Loan, or the enforceability of the lien securing the Mortgage Loan, except for such waivers, alterations and the like accomplished by the Mortgage Lender prior to the Mortgage Purchase Date and disclosed in writing to and acceptable to the Servicer.

(h) Current as to Payments. As of the Mortgage Purchase Date, the Mortgage Loan shall be current as to principal and interest payments due and there shall be no delinquent tax or delinquent assessment lien against the property financed by the Mortgage Loan unless permitted by the GNMA Guide, the Freddie Mac Guide or the Fannie Mae Guide, as applicable.

(i) No Offsets. As of the Mortgage Purchase Date, the Mortgage Lender shall not have done any act to create an offset, defense or counterclaim to the Mortgage Loan, including the obligation of the Mortgagor to pay the unpaid principal of and interest on the Mortgage Loan.

(j) Filing and Recordation. As of the Mortgage Purchase Date, each Mortgage and Assignment of Mortgage Note and Mortgage to Servicer shall have been prepared in such manner that when filed and properly recorded in the public records of the county in which the mortgaged property is located and any different or other recording that might hereafter be required by the laws of the State, it



will perfect the lien of real estate mortgages against the adverse or competing claim of third parties by giving public notice thereof also shall have been accomplished as required by the GNMA Guide, the Freddie Mac Guide or the Fannie Mae Guide, as applicable.

(k) Liens. As of the Mortgage Purchase Date, as to each Mortgage, there shall be no mechanics', laborers', or materialman's liens or claims therefor outstanding for work, labor, or materials affecting the property encumbered by the Mortgage securing the Mortgage Loan that are or might be or become liens prior to, or equal with, the lien of the Mortgage and no rights outstanding that under law could give rise to such lien, for work performed or materials supplied to the property prior to the date of the Mortgage.

(l) Completion and Good Repair. Except as provided in Section 4.19 hereof, construction of the Single Family Residence is complete and the Single Family Residence is free of material damage and in general good repair on the Mortgage Purchase Date.

(m) Disclosures. Each Mortgage Loan, at the time it shall have been made, shall have conformed to all disclosures required to be made by the Real Estate Settlement Procedures Act and the Federal Truth-in-Lending Act, the Federal Equal Credit Opportunity Act, State laws against discrimination and all other applicable State and federal laws and regulations, and notice of assignment shall have been given.

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

(o) No Conveyance. To the best knowledge of the Mortgage Lender, the Mortgagor of a Mortgage Loan shall not have conveyed such mortgagor's right, title to or interest in the property to any party.

(p) Credit. As of the Mortgage Purchase Date, the Mortgage Lender has no knowledge of any acts or circumstances, economic or otherwise, which may have an adverse effect on the credit of any Mortgagor, the prospect of prompt payment of any Mortgage Loan or the value of any security therefore.

(q) Capacity to Repay. The Mortgage Lender has reviewed applicable credit reports and related documents required in connection with any application by the Borrower to assure itself, prior to approving such application, that such Borrower has the capacity to repay the Mortgage Loan.

(r) Prudent. As of the Mortgage Purchase Date, the Mortgage Lender has no knowledge of any circumstances or condition with respect to the Mortgagor, Single Family Residence, Mortgage Loan or any related document that could reasonably be expected to cause prudent private investors in the secondary market to regard the Mortgage Loan as an unacceptable investment, cause the Mortgage Loan to become delinquent or to adversely affect the value or the marketability of the Mortgage Loan.

(s) Representations of Others. As of the Purchase Date, the Mortgage Lender has no knowledge or other reason to believe that any of the representations and statements contained in the affidavits of the seller, Borrower and Mortgage Lender are not true and correct.

(t) Payments. The Mortgagor has agreed to make payments with respect to the Mortgage Loan in accordance with this Agreement.



(u) Regulations. The Mortgage Loan and Single Family Residence are in compliance with all governmental statutes, regulations and rules relating to the use of the property including, but not limited to, building and zoning codes, environmental laws and platting requirements; there is no pending case or proceeding directly involving the Single Family Residence and appurtenances thereto in which compliance with any such law, rule, or regulation is an issue; and nothing further remains to be done to satisfy in full all requirements of each such law, rule or regulation constituting a prerequisite to such use and enjoyment of said Single Family Residence.

(v) Boundaries and Legal Access. All of the improvements which are included for the purposes of determining the appraised value and/or valuation of the Single Family Residence lie wholly within the boundaries and building restriction lines of such Single Family Residence, and no improvements or adjoining property encroach upon the Single Family Residence, and there is legal right of access to and from the Single Family Residence.

(w) Mortgage Lender Representation. As of the Mortgage Purchase Date, the representations, warranties and covenants of the Mortgage Lender set forth in Section 2.02 hereof remain true and are in full force and effect.

(x) Building Code and Builder's Warranty. The Mortgage Lender shall have received for each newly constructed Home securing a Mortgage Loan a certification by a Qualified Appraiser that the Home has been constructed in substantial compliance with applicable building code requirements and an executed Builder's Warranty in the form set forth in Form MRB07.

(y) Change in Financial Condition. As of the Mortgage Purchase Date, the Mortgage Lender's financial condition has not changed substantially for the worse from its condition as of the date of execution of this Agreement. The Servicer, acting in good faith, shall make the determination whether such change has occurred.

(z) Single Family Residence. The property subject to the Mortgage is a Single Family Residence.

(aa) Compliance with Pre-Purchase Servicing Requirements. As of the Mortgage Purchase Date, the Mortgage Lender has complied with all of its servicing and other obligations pursuant to Section 4.17 hereof.

(bb) Disclosure with Respect to Recapture. In connection with all Mortgage Loans funded using tax exempt bonds, the Borrower has been provided with disclosure regarding potential recapture of federal subsidy as required by Section 143(m)(7) of the Code, and the Borrower has executed all applicable forms and certifications as set forth in the Program Manual, which affirmatively acknowledges Borrower's receipt of information and a written statement concerning the potential recapture of federal subsidy in connection with the Mortgage Loan.

(cc) Conformance to Agreement. The Mortgage Loan conforms in all other respects to this Agreement.

It is understood and agreed that the representations, warranties and covenants set forth in this Section shall survive the sale of the Mortgage Loans by the Mortgage Lender to the Servicer and that the representations, warranties and covenants shall inure to the benefit of the transferee and assigns of the Servicer which, under the Resolution, include the Trustee, the Authority, GNMA, Freddie Mac, Fannie Mae and the Bondholders. It is further understood and agreed that the representations, warranties, and covenants set forth in this Section with respect to title to the Single Family Residence, including, but not limited to, representations in regard to liens, use of the Single Family Residence, and



compliance with laws, inure to the benefit of the Title Guaranty Division of the Authority, and may be relied upon by the Title Guaranty Division of the Authority in issuing any title guaranty certificate with respect to the Single Family Residence.

Upon discovery by the Mortgage Lender or the Servicer of a breach of any of the foregoing representations, warranties and covenants which materially and adversely affects the value of any Mortgage Loan or the interest of the Servicer in any Mortgage Loan, or violates any requirements necessary to maintain the exclusion from gross income under Section 143 of the Code, the party discovering such breach shall give prompt written notice to the other. A breach of these representations, warranties and covenants shall give rise to the rights and obligations with respect to cure or repurchase set forth in Section 4.12 hereof.

Section 4.14 Prohibition of Discrimination. The Mortgage Lender must consider all applications in the order in which they are received, or in any other manner designated by the Authority, on a fair and equal basis, may not arbitrarily reject a Mortgage Loan application because of the location and/or age of the property, and may not, in the case of a Borrower, arbitrarily vary the terms of a loan or the application procedures therefore or reject a Mortgage Loan applicant in violation of the Federal Equal Credit Opportunity Act, State laws against discrimination or in violation of any State or local law. No Mortgage Lender shall enter into any agreement or arrangement with any person, firm or corporation, except with respect to subcommitments to builders, to prefer any applicant or group of applicants for such loans without the express approval of the Servicer. In accepting, evaluating and acting upon applications, the Mortgage Lender shall comply, if applicable, with the Federal Equal Credit Opportunity Act and Regulation B promulgated thereunder and State laws against discrimination and the regulations thereunder.

Section 4.15. Assignment of Origination. Notwithstanding the provisions of Section 4.01 hereof, the Mortgage Lender may, upon written notice to and only upon written approval of the Authority, assign its rights and obligations to originate Mortgage Loans pursuant hereto, to any other Mortgage Lender who shall agree to accept such assignment. Any agreement to assign origination rights and obligations may not provide for the payment of compensation for such assignment in any form or manner. In the case of assignment of the obligation to originate as provided in this paragraph, the assignee Mortgage Lender shall assume in writing all of the origination obligations contained herein of the assignor Mortgage Lender.

Section 4.16. Reporting. The Mortgage Lender shall accurately and promptly provide such information which the Servicer may request from time to time regarding the Mortgage Lender and its participation in the Program. Such information includes, for example, information regarding (a) Commitments made by the Mortgage Lender; (b) applications and commitments in process; and (c) information regarding the Mortgage Lender's financial status.

Section 4.17. Mortgage Lender to Service Mortgage Loans Prior to Purchase; Payment of Property Taxes. The Mortgage Lender shall service (or cause to be serviced) all Mortgage Loans in accordance with GNMA, Freddie Mac and Fannie Mae requirements, as possible, prior to purchase by the Servicer. This includes but is not limited to the collection and processing of all loan payments (including escrow payments for taxes and insurance) and the payment from the Escrow Account of taxes and insurance when due and the accounting therefore in accordance with GNMA, Freddie Mac and Fannie Mae requirements. Additionally, even if not required by the preceding sentences of this Section, the Mortgage Lender shall pay or cause to be paid the first half year's property taxes due September 30 if the Mortgage Loan is Purchased within sixty (60) days before such taxes are due, and the last half of property taxes due March 31 if the Mortgage Loan is Purchased within sixty (60) days before such taxes are due. If there are insufficient funds in the Escrow Account to cover these taxes, the Mortgage Lender shall collect the deficiency from the Mortgagor and/or the seller. The Mortgage

Lender shall not advance any funds to cover property taxes or any other obligations of the Mortgagor except as reflected in the Mortgage Note.

Section 4.18. Program Manual. The Mortgage Lender shall comply with the procedures specified in the Program Manual prepared by the Authority and the Servicer and which may be amended from time to time. The Authority shall communicate changes to the Program Manual to the Mortgage Lender and the Servicer.

Section 4.19. Purchase of Mortgage Loans Subject to Completion or Repair. In subsection 4.13(m) of this Agreement, the Mortgage Lender represents and warrants to, and covenants with the Authority and the Servicer with respect to each Mortgage Loan purchased by the Servicer, that the Home located on the Mortgaged Property is complete and in general good repair as of the Mortgage Purchase Date.

The Servicer may, in its discretion, waive the above representation and warranty subject to the following terms and conditions:

1. Mortgage Loans Eligible for Waiver. In order to be eligible for a waiver of the representation and warranty set forth in 4.13(m) above, the Mortgage Loan must meet all of the following requirements as of the Mortgage Purchase Date (unless the Servicer, for good cause, waives any one or more of such requirements with regard to a particular Mortgage Loan) which must be certified by the Mortgage Lender and submitted with the Mortgage Loan as part of the Mortgage Certificate:

(a) Correction of Defects or Completion. The defects (for an existing dwelling) or the incomplete status (for new construction) as reflected on the appraisal submitted with the Mortgage Loan (the "Original Appraisal") must be correctable in a reasonable time, as approved by the Authority, and the Mortgagors shall have entered into a contract with a bona fide contractor or builder which will enable the work to be completed by such date.

(b) Bids and Appraisals; Establishment of Escrow Account. In connection with the work to be performed by the contractor or builder referred to in paragraph (b), at least one bid from an unaffiliated, bona fide contractor and an estimate from a Qualified Appraiser for completing the work shall be obtained. In the case of new construction, the contractor from whom a bid has been obtained must be a person who is unaffiliated with the builder. The bid and the appraiser's estimate will be compared and the highest figure used as a basis for computing the amount to be placed in the escrow holdback account as set forth below.

(c) FHA/VA/USDA Rural Development or PMI Insurer Rules and Procedures. The Mortgage Loan must comply with all requirements and procedures (whether formal or informal) established by FHA or VA or USDA Rural Development or the PMI Insurer, as applicable, in connection with loans where the property is not in good repair or is incomplete as of the Closing Date, including any future changes in such FHA or VA or USDA Rural Development or PMI Insurer requirements and procedures.

(d) Establishment of Escrow Account. The Mortgage Lender shall establish and maintain an escrow account. The escrow will be funded from the proceeds of the Mortgage Loan or other available money of the Mortgagor, the seller or others in an amount equal to one and one-half times the highest of the two amounts identified in paragraph (b) above, but not less than \$1000. Under the terms of the escrow:

(i) No fee shall be payable by the Mortgagor in connection with the escrow in addition to those allowed by this Agreement.



(ii) Upon completion of the work on the property, the Mortgage Lender shall have the property inspected by a Qualified Appraiser (or such other inspection as approved by the Authority and Servicer) and upon the Qualified Appraiser's inspection (or such other approved inspection) that the exceptions noted on the Original Appraisal have been corrected (and no additional defects discovered), and work necessary to have the property comply in all respects with the requirements imposed on the Mortgage Loan by this Agreement is completed, the proceeds of the escrow will be used to pay the contractor who performed the work. Any balance shall be paid to the Mortgagor or other party which funded the escrow account. The form of the escrow agreement shall be consistent with the requirements hereof and shall be subject to prior review and approval by Servicer before use.

The Mortgage Lender will warrant the truthfulness and correctness of the certification called for by this section (which will be part of the Mortgage Certificate) pursuant to subsection 4.13(a).

2. Additional Reasons for Repurchase of Mortgage Loans by Mortgage Lender. In addition to the circumstances under which a Mortgage Loan would be considered a "Non-Qualifying Mortgage Loan" pursuant to Section 4.12 of this Agreement, Mortgage Loans Purchased by the Servicer pursuant to this Section shall also be considered "Non-Qualifying Mortgage Loans" for purposes of that section under any one or more of the following conditions:

(a) The Servicer has not received by July 1 of the applicable year an appraisal, dated no later than June 1 of such year, by a Qualified Appraiser (or such other inspection as approved by the Authority and Servicer) that removes all the exceptions to the Original Appraisal and shows no additional exceptions;

(b) The funds in the escrow holdback account are insufficient to pay the contractor or builder for the work performed;

(c) There is a dispute between the contractor or builder and the Mortgagor concerning the type or quality of work performed by the contractor or builder.

Section 4.20. Requirement of Standard Hazard Insurance. The Single Family Residence securing any Mortgage Loan must be covered by a Standard Hazard Insurance Policy meeting all of the following requirements:

(a) Standard hazard insurance coverage in the following kinds and amounts will be carried by each Mortgagor or by the condominium association on behalf of the Mortgagor, where appropriate, or by the Servicer under a mortgagee single interest hazard insurance policy, in each case from an insurer approved by FHA, VA, USDA Rural Development, or the PMI Insurer and Freddie Mac or Fannie Mae, as applicable and is required on property covered by a Mortgage Loan:

(i) fire and extended coverage insurance is required in an amount at least equal to that customary in the area in which the Mortgage Loan is originated but in any event sufficient, except for the deductibles permitted below, so that in the event of any damage or loss to the property, coverage by the insurance will be in an amount equal to the lesser of (1) 100% of the insurable value of the improvements, as established by the property insurer, or (2) the unpaid principal balance of the Mortgage Loan, as long as it equals the minimum amount—80% of the insurable value of the improvements—required to compensate for damage or loss on a replacement cost basis; and



(ii) where the Mortgage Lender is aware that the property is exposed to any appreciable hazard against which fire and extended coverage insurance does not afford protection, the Mortgage Lender must advise the Servicer of the nature of such hazard and the additional insurance coverage, if any, which has been obtained against such hazard. If adequate insurance has not been obtained against such hazard, the Servicer may require the Mortgage Lender to obtain such coverage prior to accepting the Mortgage Loan for purchase.

(b) Such insurance must be in effect on the Mortgage Purchase Date of the Mortgage Loan and the expiration date of each policy must be more than six (6) months after the Mortgage Purchase Date. The premium on each policy must have been paid in full by the Mortgagor (no "courtesy receipts" or other secondary financing of such premium is permitted).

(c) Insurance policies must be sufficient in amount and scope of coverage to meet any applicable requirements of the insurer providing the Mortgage Insurance Policy.

(d) Policies containing a deductible clause applicable to either fire or extended coverage or both are in accordance with applicable FHA or VA or USDA Rural Development or PMI Insurer and Freddie Mac or Fannie Mae standards.

(e) Each Mortgage Loan must provide that, in the event of any loss settlement on a hazard insurance policy, the Mortgagor has the option of applying the loss settlement proceeds against the principal amount of the Mortgage Loan rather than restoring the property.

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

(g) The Mortgage Lender is responsible for and warrants compliance with the provisions of the Flood Disaster Protection Act of 1973, whenever such provisions would be applicable to any Mortgage Loan sold to the Servicer. If the area is one identified by the Secretary of Housing and Urban Development as an area having special flood hazards, flood insurance shall be maintained in the amount of the outstanding principal balance of the Mortgage Loan or the maximum limit of coverage available under the National Flood Insurance Act of 1968, as amended, whichever is less. Any flood insurance must meet applicable FHA or VA or USDA Rural Development standards or Fannie Mae standards, as applicable.

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

(i) All policies of hazard insurance must contain or have attached the standard mortgagee clause customarily used in the area in which the Mortgage Loan is originated, naming the Servicer, as an insured. The policy must provide that the insurance carrier will notify the Servicer at least ten (10) days in advance of the effective date of any cancellation of the policy. The Mortgage Lender must (i) cause each insurance policy to be properly endorsed, (ii) give any necessary notices of transfer in order to fully protect, under the terms of the policy and applicable law, the interest of the Servicer as first lienholder, and (iii) cause all insurance drafts, notices, policies, invoices, and other



documents to be delivered directly to the Servicer, regardless of the manner in which the insurance policy is endorsed.

(j) Insurance coverage which does not meet the foregoing requirements will be considered on a case-by-case basis by the Servicer upon request by the Mortgage Lender. The Servicer may require such additional coverage as it may deem necessary in connection with any case or group of cases.

ARTICLE V SERVICING OF MORTGAGE LOANS

Section 5.01. Mortgage Lender to Transfer Mortgage Loans and Servicing Thereof to Servicer. On the Purchase Date, the Mortgage Lender shall assign and transfer each Mortgage Loan to the Servicer in exchange for payment as provided in this Agreement. Under the Servicing Agreement, after the Purchase Date the Servicer will perform all servicing functions relating to each Mortgage Loan until Mortgage Loans are secured in a Pool. After the issuance date of each Pool, the Servicer shall continue to service the Mortgage Loans and will be governed by the GNMA Guide and MBS Agreement, the Freddie Mac Guide or the Fannie Mae Guide, as applicable.

Section 5.02. Assumption Restrictions. In any case in which a Single Family Residence subject to a Mortgage Loan other than a Conventional Mortgage Loan or a USDA Rural Development Loan has been or is about to be conveyed by the Mortgagor and the purchaser desires to assume all the rights and obligations of the Mortgagor under the Mortgage Loan, the Servicer may release (subject to any required FHA or VA approval, as applicable, and in accordance with currently-applicable FHA or VA rules and regulations, as the case may be) the original Mortgagor and take or enter into an assumption agreement from or with the person to whom such property has been or is about to be conveyed only if the Servicer so consents in writing; provided, however, that such assumption may only be permitted if, as of the date of the assumption: (i) the purchaser is an Eligible Mortgagor, subject also to the requirement of initial and continued occupancy of the Home as his or her primary residence, (ii) unless the Single Family Residence is located in a Targeted Area or another exception applies, the purchaser is a First-Time Homebuyer, (iii) the Purchase Price of the Single Family Residence does not exceed the Maximum Purchase Price then applicable for a Single Family Residence in the area of State where the residence is located, (iv) the Mortgage Loan continues to be insured under the insurance policies described in this Agreement and approved by the Servicer, (v) the purchaser's current Annual Family Income does not exceed the then-current Maximum Household Income Limit, and (vi) the Mortgage Loan must continue to comply with the requirements of FHA and VA regulations, as applicable, and the GNMA Guide. The assumption restrictions shall be incorporated in the related Mortgage and kept as a part of the Mortgage File. In connection with any such assumption agreement, the interest rate of the related Mortgage Note shall not be changed; however, the Servicer may charge in connection with each assumption an assumption fee permitted by FHA or VA, as applicable, plus, to the extent permitted by law, the reasonable and customary out-of-pocket costs paid or incurred by the Mortgage Lender as specified in Section 4.05 hereof. All warranties and representations of the Mortgage Lender with respect to the Mortgage Loan shall continue in full force and effect after the assumption with respect to the period prior to the assumption as applied to the original Mortgagor. They shall also apply with respect to the period following the assumption except to the extent they relate to facts concerning the status or performance of the assuming purchaser. Conventional Mortgage Loans are not assumable.

Section 5.03. Authority, Mortgage Lender and Servicer to Cooperate; Release of Mortgage Files. From time to time and as appropriate for the servicing or foreclosure of any Mortgage Loans, the Authority, the Mortgage Lender and the Servicer hereby agree to take such actions as required by the GNMA Guide and FHA or VA or USDA Rural Development or by the Freddie Mac Guide or the Fannie Mae Guide and the PMI Insurer, as applicable.

Section 5.04. Amendment of Terms and Conditions of a Mortgage Loan; Release of Property from the Lien of a Mortgage. The Servicer, with the prior written consent of the Authority and the insurers and



GNMA, Freddie Mac and Fannie Mae, as applicable, may amend the terms or conditions of any Mortgage Loan, release or direct the release of property from the lien of a Mortgage or consent to the grant of, or grant, easements or rights of way upon property securing a Mortgage Loan, with appropriate recordation among the records of the local governmental officials; provided that the Servicer shall not make any amendment of the terms and conditions of any Mortgage Loan that would result in such Mortgage Loan becoming a Non-Qualifying Mortgage Loan.

ARTICLE VI MORTGAGE LENDER

Section 6.01. Liability of Mortgage Lender. The Mortgage Lender shall be liable hereunder only to the extent that obligations are explicitly imposed upon and undertaken by the Mortgage Lender.

Section 6.02. Merger or Consolidation of Mortgage Lender. Any entity into which the Mortgage Lender may be merged or consolidated, or any entity resulting from any merger, conversion or consolidation to which the Mortgage Lender shall be a party, or any entity succeeding to the business of the Mortgage Lender shall be the successor of the Mortgage Lender hereunder, without the execution or filing of any document or instrument, except as provided in Section 2.02(b) hereof, or any further act on the part of any of the parties hereto.

Section 6.03. Limitation on Liability of Directors, Officers, Employees and Agents of Mortgage Lender. No director, officer, employee or agent of the Mortgage Lender shall be under any personal liability to the Authority, the Trustee, the Servicer, or the Bondholders for any action taken (or for refraining from the taking of any action) in good faith pursuant hereto, or for errors in judgment.

Section 6.04. Mortgage Lender Not to Resign. The Mortgage Lender shall not 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 the Mortgage Lender shall be evidenced by an opinion of counsel satisfactory to the Authority and Servicer to such effect delivered to the Authority and the Servicer. No such resignation shall become effective until another Mortgage Lender, the Servicer or a successor servicer shall have assumed the Mortgage Lender's responsibilities and obligations in accordance with Section 4.15 hereof.

Section 6.05. Access to Certain Documentation and Certain Information Regarding the Mortgage Loans The Mortgage Lender shall provide to the Trustee, the Servicer, GNMA, Freddie Mac, Fannie Mae and the Authority and their respective employees, examiners and supervisory agents access to the documentation regarding the Mortgage Loans requested by them, such access being afforded without charge and during normal business hours at the offices of the Mortgage Lender designated by it or, if requested, by mail.

Section 6.06. Notifications. The Authority, GNMA, Fannie Mae, Freddie Mac, the Mortgage Lender and the Servicer shall each provide the others with information, records or such assistance reasonably requested by the others and otherwise cooperate with the others as reasonably requested.

ARTICLE VII TERMINATION

Section 7.01. Causes of Termination Defined; Remedies. Upon the happening of any one or more of the following events the Servicer shall, upon the direction of the Authority, terminate this Agreement with respect to the Mortgage Lender or take whatever action at law or in equity as may appear necessary or

desirable to enforce performance or observance of any obligation, agreement, or covenant of the Mortgage Lender hereunder:

(a) Failure by the Mortgage Lender duly to observe or perform in any material respect any covenant, conditions or agreement required by this Agreement to be observed or performed, for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, given to the Mortgage Lender by the Authority or the Servicer, unless the Authority and the Servicer shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Authority and the Servicer will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Mortgage Lender within the applicable period and diligently pursued until the default is corrected;

(b) The Servicer has been required to purchase a Mortgage Loan as a result of a failure of the Mortgage Lender to abide by the provisions of this Agreement, and the Mortgage Lender has not timely repurchased said Mortgage Loan upon proper notice hereunder;

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

(d) The Mortgage Lender shall consent to or have imposed on itself the appointment of a conservator or receiver or liquidation in any insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings of or relating to the Mortgage Lender or of or relating to all or substantially all of its property;

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

(f) Merger, consolidation or sale of substantially all of the Mortgage Lender's assets, except in compliance with Section 2.02(b), or assignment of the Mortgage Lender's rights and obligations under this Agreement without the prior written consent required pursuant to Section 4.15;

(g) The Authority or the Servicer shall discover or be notified that any representation of or warranty by the Mortgage Lender to the Authority or the Servicer is false in any material respect;

(h) There occurs prior to the Purchase of any Mortgage Loan a change in status of the Mortgage Lender originating such Mortgage Loan with respect to the Mortgage Lender's approval as either an FHA or VA or USDA Rural Development approved mortgagee; or

(i) Failure by the Mortgage Lender to close and deliver at least one (1) Mortgage Loan in any twelve-month period after execution of this Agreement.

Section 7.02. [Reserved].

Section 7.03. No Remedy Exclusive. Unless otherwise expressly provided, no remedy herein conferred or reserved is intended to be exclusive of any other available remedy, but each remedy shall be cumulative and shall be in addition to other remedies given hereunder or existing at law or in equity. No delay or omission to exercise any right or power accruing hereunder upon the happening of any event set forth in Section 7.01 hereof shall impair any such right or power or shall be construed to be a



waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority or the Servicer to exercise any remedy reserved to them in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article.

Section 7.04. Agreement to Pay Attorneys' Fees and Expenses. In the event the Mortgage Lender should fail to perform its obligations under any of the provisions hereof and the Authority or Servicer should employ attorneys or incur other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the Mortgage Lender herein contained, the Mortgage Lender agrees that to the extent permitted by law it will pay or reimburse the Authority or the Servicer, on demand, the reasonable fees of attorneys and such other incurred expenses.

Section 7.05. Liability of Servicer or Authority. The Servicer or the Authority shall not be liable for the appointment or removal of a successor Mortgage Lender or owe any duty with respect to such appointment or removal, except for its own willful misconduct and except to the extent of its obligations to assure proper servicing hereunder. Notwithstanding any provision to the contrary in this Agreement, the Authority and the Mortgage Lender shall not be liable in any respect for the appointment or removal of a successor Mortgage Lender by the Servicer or owe any duty with respect to such appointment or removal other than as otherwise provided herein.

Section 7.06. Servicing Termination. The Servicer may be terminated only as provided in the Servicing Agreement, the GNMA Guide as modified by the MBS Agreement, the Freddie Mac Guide or the Fannie Mae Guide, as applicable.

Section 7.07. Survival Upon Termination. Termination of the Mortgage Lender shall not terminate its obligation to repurchase a Non-Qualifying Mortgage Loan or to meet other obligations that would continue had it, instead of being terminated, completed its performance hereunder in full. Upon termination, a Mortgage Lender shall turn over Mortgage Loans in process (at no compensation or fee therefore) for reallocation to other Mortgage Lenders to complete.

ARTICLE VIII MISCELLANEOUS PROVISIONS

Section 8.01. Revisions by Supplemental Notice The Authority in its discretion upon obtaining an approving opinion of Bond Counsel, may issue one or more Supplemental Notices revising the provisions of this Agreement, including but not limited to revisions permitted or required by the applicable sections of the Code and accompany Regulations.

Section 8.02. Other Amendments, Changes and Modifications. Except as provided in Section 8.01 hereof, subsequent to the issuance of the Bonds and prior to their payment in full (or provision for the payment thereof having been made in accordance with the provisions of the Resolution), this Agreement may be amended, changed, modified, altered or terminated only as provided in the Resolution and with the written consent of the Servicer. Prior to issuance of the Bonds this Agreement may be amended, changed, modified, or altered by any rider signed by any affected Mortgage Lender and the Authority and the Servicer.

Section 8.03. Recordation of Agreement. This Agreement, or a memorandum of any portion or portions hereof executed by the Authority and the Mortgage Lender, is subject to recordation among the land records of any county in this State, and in any other appropriate public office or elsewhere on direction by the Authority.



Section 8.04. Limitation on Rights of Bondholders. No Bondholder shall have any right to institute a suit with respect hereto except as provided in the applicable Resolution and for the equal benefit of all Bondholders.

Section 8.05. Governing Law. This Agreement shall be construed in accordance with the laws of the State, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

Section 8.06. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by certified or registered mail, postage prepaid, return receipt requested, addressed to the appropriate Notice Address. A duplicate copy of each notice, certificate or other communication given hereunder to the Authority or the Mortgage Lender shall also be given to the others. Any party hereto may, by notice given to the other parties hereunder, designate any further or different address to which subsequent notices, certificates or other communications shall be sent.

Section 8.07. Severability. In the event any provision hereof shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 8.08. Further Assurances and Corrective Instruments. To the extent permitted by law, the Authority, the Servicer and the Mortgage Lender agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the intention hereof or facilitating the performance hereof.

Section 8.09. Term of Agreement. This Agreement shall be in full force and effect from the date hereof and shall continue in effect so long as any of the Bonds are Outstanding or any Mortgage Loans purchased hereunder remain outstanding, whichever is longer, or until such time as terminated pursuant to Article VII. This Agreement replaces any existing agreement signed by the parties hereto for any and all Mortgage Loans committed to on and after the date of this Agreement.

Section 8.10. No Rights Conferred on Others. Nothing herein shall confer any right upon any person other than the Authority (or the Trustee as assignee of certain of the Authority's rights hereunder), the Servicer and the Mortgage Lender.

Section 8.11. Discretion of Authority. With respect to any disputes between the Authority and the Mortgage Lender which arise concerning the terms and provisions hereof, the meaning thereof, or decisions to be made thereunder, the judgment of the Authority shall govern.

Section 8.12. [Reserved].



Section 8.13. Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 8.14. Changes in Forms and Exhibits; Guidelines. The forms of the documents referred to by this Agreement may be changed by the Authority or Servicer provided that any such change shall not:

- (a) adversely affect the security for a Mortgage Loan;
- (b) change the requirements of this Agreement, except as permitted in Section 8.01 hereof; or
- (c) adversely affect the exclusion from gross income under Section 143 of the Code of interest on the Bonds or the qualification of the Bonds as “qualified mortgage bonds” under the Code (excluding Bonds issued with the intent that interest thereon be included in gross income for federal tax purposes).

In addition, the Authority and the Servicer may from time to time issue guidelines for the application of the various terms and conditions hereof.

Section 8.15. Limitation on Liability of Directors, Officers, Employees and Agents. No director, officer, employee, board member or agent of any of the Authority or the Servicer shall be under any personal liability to the Mortgage Lender for any action taken (or for refraining from the taking of any such action) in good faith pursuant hereto, or for errors in judgment.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written, by their officers duly appointed and authorized.

IOWA FINANCE AUTHORITY

(Seal)

By: _____
Executive Director

Date: _____

[Type Mortgage Lender Name]

By: _____

[Name & Title] _____

Date _____

Attest:

By: _____

[Name & Title] _____

Date: _____

Mortgage Lender Mailing Address

Mortgage Lender Phone Number

Mortgage Lender Tax Identification Number



IDAHO HOUSING AND FINANCE ASSOCIATION

By: _____
Mark A. Suderman, Director of Loan Acquisition & Shipping

Date: _____

**Exhibit A – Servicing Release Premium
Effective November 1, 2018
(for new reservations)**

For delivery within 30 days after closing

1.5% OR Minimum of \$1,000

For delivery within 31-60 days after closing

1.0% OR Minimum of \$750

For delivery within 61-90 days after closing

.75% OR Minimum of \$500

Delivery means all purchase conditions are cleared. Loans not cleared for purchase within 90 days of closing will be canceled.



Iowa Finance Authority

HFA PREFERRED RISK SHARING™ ADDENDUM TO MORTGAGE ORIGINATION AGREEMENT SINGLE FAMILY FINANCING PROGRAMS

THIS HFA PREFERRED RISK SHARING™ ADDENDUM TO MORTGAGE ORIGINATION AGREEMENT is made and entered into between _____ (the "Lender"), with its main office located at _____ and the Iowa Finance Authority ("the Authority"), with its office located at 1963 Bell Avenue, Suite 200; Des Moines, Iowa 50315 and Idaho Housing and Finance Association (the "Servicer").

RECITALS:

- A. The Authority, the Lender, and Servicer have entered into a Mortgage Origination Agreement for Iowa Finance Authority Single Family Financing Programs (the "Original Mortgage Origination Agreement"). This Agreement governs the sale of mortgage loans by the Lender to the Servicer.
- B. Fannie Mae has developed a new product, commonly known as "HFA Preferred Risk Sharing™," which is available only to state housing finance agencies, such as the Servicer and the Authority. HFA Preferred Risk-Sharing Mortgages may have up to 97% loan-to-value ratios without private mortgage guaranty insurance. HFA Preferred Risk-Sharing Mortgages have a higher Fannie Mae guaranty fee and the Authority must agree to repurchase HFA Preferred Risk-Sharing Mortgages in certain limited circumstances.
- C. HFA Preferred Risk-Sharing Mortgages must be acquired by the Servicer and sold by the Servicer to Fannie Mae on behalf of the Authority. The HFA Preferred Risk-Sharing Mortgages will be sold to Fannie Mae in accordance with the applicable variances specified in the Master Agreement between Fannie Mae and the Idaho Housing and Finance Association, Servicer for the Authority.
- D. The Authority has determined to offer HFA Preferred Risk-Sharing Mortgages under its FirstHome and Homes for Iowans Programs. In order to originate HFA Preferred Risk-Sharing Mortgages, Lenders must execute this Addendum to their Mortgage Origination Agreements.
- E. The parties desire to enter into this Addendum to make additional provision for HFA Preferred Risk-Sharing Mortgages and to permit the Lender to originate HFA Preferred Risk-Sharing Mortgages in accordance with the terms and conditions set forth in the Original Mortgage Origination Agreement as amended and supplemented by this Addendum.



NOW, THEREFORE, the parties agree as follows:

- 1. Definitions.** Terms used with initial capital letters but not defined herein shall have the meanings given such terms in the Original Mortgage Origination Agreement.
- 2. Acknowledgment by Lender.** The Lender acknowledges that the Servicer will purchase HFA Preferred Risk-Sharing Mortgages and pool them into one or more mortgage-backed securities, and that under Fannie Mae's HFA Preferred Risk-Sharing product, the Authority has an obligation to repurchase HFA Preferred Risk-Sharing Mortgages in certain limited circumstances.
- 3. Minimum Loan Delivery Capacity and Requirements.** Lenders must have demonstrated capacity to underwrite conventional mortgages and deliver them into the Authority's FirstHome and Homes for Iowans Single Family Mortgage Financing Programs. The Lender must deliver at least ten (10) HFA Preferred or HFA Preferred Risk-Sharing Mortgages in each calendar year to maintain the Authority's approval to offer these products. This requirement is in addition to the applicable minimum number of loan deliveries required to maintain approval as a Participating Lender in the Authority's FirstHome and Homes for Iowans Single Family Mortgage Financing Programs.
- 4. Repurchase Obligation of Lender.** The repurchase obligation of the Lender set forth under Section 4.12 of the Original Mortgage Origination Agreement shall apply to any HFA Preferred Risk-Sharing Mortgage Loan purchased by the Servicer on behalf of the Authority pursuant to the Mortgage Origination Agreement.
- 5. Effect of Addendum.** This Addendum is part of and shall be deemed incorporated in the Original Mortgage Origination Agreement, and the Original Mortgage Origination Agreement, as amended and supplemented by this Addendum, shall be in full force and effect. This Addendum shall be executed by an individual with the authority to enter into a Mortgage Origination Agreement on behalf of the lending institution and shall apply to all branch locations listed in the Original Mortgage Origination Agreement.
- 6. Effective Date.** This Addendum shall become effective on the later of January 1, 2015 or as of the date when (i) the Lender submits an executed copy of this Addendum to the Authority, and (ii) the Authority returns a fully executed copy of this Addendum to the Lender.
- 7. Termination.** The Authority reserves the right to immediately terminate the Lender's access to the HFA Preferred Risk Sharing product if any HFA Preferred Risk-Sharing Mortgage Loan originated by the Lender is subject to repurchase by the Authority, if the Lender fails to meet any obligation of the Mortgage Origination Agreement including this Addendum, or if the Authority determines that it shall no longer offer the HFA Preferred Risk Sharing product. Any decision to offer the HFA Preferred or HFA Risk Sharing products is at the sole discretion of the Authority.

IN WITNESS WHEREOF, each party has this Addendum to Mortgage Origination Agreement to be executed by its duly authorized officer or officers.

LENDER

By: _____
(Signature of Authorized Officer)

Its: _____
(Printed or Typewritten Name of Authorized Officer)

Date: _____

Include Additional Signature Below if Required by the Lender's Bylaws

By: _____

Its: _____

Date: _____



IOWA FINANCE AUTHORITY

By:

Its: Executive Director

Date:



IDAHO HOUSING AND FINANCE ASSOCIATION

By:

Its: Director of Loan Acquisition and Shipping

Date:
