

**TOWN OF  
APPLE VALLEY, CALIFORNIA**

**AGENDA MATTER**

**Subject Item:**

**FIRST TIME HOME BUYER TAX CREDIT SECOND MORTGAGE LOAN PROGRAM**

**Summary Statement:**

The American Recovery and Reinvestment Act of 2009 provides a federal income tax credit for first-time homebuyers of ten percent (10%) of the sales price, up to a maximum of \$8,000 for the purchase of a new or existing home. The tax credit is available for the purchase of a new or existing home and is available to qualified first-time home buyers who purchase a home no later than November 30, 2009. A first-time home buyer is an individual that has not owned residential property in the last three (3) years. (continued)

**Recommended Action:**

1. That the Town Council adopt Resolution No. 2009-42, 2009-43, making certain findings relative to the First Time Home Buyer's Tax Credit Second Mortgage Loan Program.
2. That the Agency Board adopt Resolution No. 2009-04, 2009-05, making certain findings relative to the First Time Home Buyer's Tax Credit Second Mortgage Loan Program and approving low and moderate income housing funds in the amount of \$100,000 from Redevelopment Project Area 1 and \$100,000 from Redevelopment Project Area 2.
3. That the Agency Board approve a Loan Program and Administration Agreement for the First Time Homebuyers Tax Credit Second Mortgage Loan Program between the Apple Valley Redevelopment Agency and California Housing Programs, LLC, subject to minor changes as may be approved by the Executive Director and legal counsel; and authorize the Executive Director to execute the agreement and any related documents.

Proposed by: Assistant Town Manager, Econ. & Comm. Dev Item Number \_\_\_\_\_

T.M. Approval: \_\_\_\_\_ Budgeted Item  Yes  No  N/A

**Statement - Continued**

**FIRST TIME HOME BUYER TAX CREDIT SECOND MORTGAGE LOAN PROGRAM**

**Page 2**

On July 23, 2009, Housing staff met with representatives from California Housing Programs, LLC (CHP). The purpose of this meeting was to discuss the feasibility of the Town's participation in a First Time Home Buyer Tax Credit Loan Program administered directly by CHP. The program makes the tax credit available as a second mortgage loan to qualified homebuyers at the time of mortgage closing. Eligible home buyers must meet income requirements at no more than 120% of area median income. They must qualify for a 30-year fixed rate term FHA-insured first mortgage loan and are responsible for FHA down payment requirements/funds not covered by the second mortgage loan. In addition, the home buyer must commit to live in the property as their principal residence for at least three (3) years.

In an effort to augment the Town's Neighborhood Stabilization Program/Down Payment Assistance Program (NSP/DAP), stabilize area neighborhoods and to further stimulate Apple Valley's economy by moving inventory of unsold existing, new or bank owned homes outside of the NSP target areas, staff proposes to allocate \$200,000 in redevelopment 20% set-aside funds (\$100,000 from Project Area 1 and \$100,000 from Project Area 2) to fund approximately 25 short-term second mortgage loans. The second mortgage loan (Secured by a Promissory Note and Deed of Trust) provides the down payment and or closing costs of up to \$8,000 for the homeowner to use to purchase the home. At loan closing, the homeowner amends his or her 2008 federal tax return to pay off the second mortgage loan. Upon receipt of the federal home buyer tax credit (approximately 60 - 90 days), the home buyer pays off the second mortgage, the second mortgage lien is released and RDA funds are returned to the Town.

In the event the home buyer does not pay off the second mortgage loan upon receipt of the federal home buyer tax credit proceeds, CHP has contracted with AmeriNational Community Services to service the loan and perform appropriate servicing functions. The Note is due and payable in ten (10) days after receipt of the tax credit refund, sale, or refinancing of the First Deed of Trust. After six (6) months after the date of the mortgage note, there will be monthly payments of principal (amortized on a twenty (20) year schedule), interest, at an annual rate of eight percent (8%) and a \$25.00 per month servicing fee.

CHP's compensation is .75% of the purchase price of the home. At loan closing on the second mortgage loan, the Seller will pay the Town of Apple Valley .75% of the purchase price of the home. Per our contractual agreement, the Town, in turn, will remit payment to CHP upon receipt of verifiable documentation and invoicing.

CHP has partnered with approximately 64 Southern California cities and has the capacity and experience necessary to administer the First Time Home Buyer Tax Credit Second Mortgage Loan Program from application intake through loan closing and second mortgage payoff.

In order to participate in this program pursuant to Community Redevelopment Law, the Agency must adopt the accompanying resolutions to approve contributions from each of the respective project areas, make findings that the program will benefit the respective project areas, and make findings that funds used outside the project area will benefit the respective project areas.

**RESOLUTION NO. 2009-42**

**A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF APPLE VALLEY FINDING THAT THE CONTRIBUTION MADE BY THE REDEVELOPMENT AGENCY OF THE TOWN OF APPLE VALLEY OF LOW AND MODERATE INCOME HOUSING FUNDS FROM THE REDEVELOPMENT PROJECT AREA #1 TO THE CALIFORNIA HOUSING PROGRAMS, LLC, FIRST TIME HOMEBUYERS TAX CREDIT SECOND MORTGAGE LOAN PROGRAM FOR HOMES OUTSIDE THE PROJECT AREA WILL BE OF BENEFIT TO THE PROJECT AREA.**

**WHEREAS**, the Redevelopment Agency of the Town of Apple Valley ("Agency") is engaged in the activities necessary to execute and implement the redevelopment plan ("Redevelopment Plan") for the Agency's Redevelopment Project Area #1 ("Project Area"); and

**WHEREAS**, the Agency is undertaking certain activities necessary for redevelopment in the Project Area pursuant to the provisions of the California Community Redevelopment Law (Health & Safety Code, §§ 33000 et seq.) ("CRL") and the Redevelopment Plan; and

**WHEREAS**, the CRL generally requires that not less than twenty percent (20%) of all taxes allocated to the Agency pursuant to Health and Safety Code Section 33670 must be used by the Agency for preserving, improving, and increasing the Town's supply of low and moderate income housing available at affordable housing cost to persons and families of low or moderate income and very low income households ("Low-Mod Housing Funds"); and

**WHEREAS**, the California Housing Program, LLC ("Corporation"), a California Limited Liability Corporation, has established the First Time Homebuyer Tax Credit Second Mortgage Loan Program ("Program") for the purpose of funding second mortgage loans; and

**WHEREAS**, homes that receive funding through the Program may be located either within or outside of the Apple Valley Redevelopment Project Area; and

**WHEREAS**, by adoption of Resolution No. 2009-xx , the Agency Board approved the contribution of One Hundred Thousand Dollars (\$100,000.00 ) of Low-Mod Housing Funds to the Program; and

**WHEREAS**, Health and Safety Code Section 33334.2(g) provides that the Agency may use such funds outside of a project area if a finding is made by resolution of the Agency Board and the Town Council of the Town of Apple Valley that such use will be of benefit to the Project Area; and

**WHEREAS**, contributing Low-Mod Housing Funds to the Program will be of benefit to the Project Area, as the work carried out as part of the Program will be for the purpose of preserving, improving and increasing the supply of affordable housing within the Town.

**NOW, THEREFORE, BE IT RESOLVED**, by the Town Council of the Town of Apple Valley:

**Section 1. Incorporation of Recitals.** The Town Council finds and determines that the Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

**Section 2. Finding Regarding Use of Low-Mod Housing Funds Outside Project Area.** The Town Council hereby finds and declares that the contribution of LowMod Housing Funds from the Project Area for the purpose of preserving, improving, and increasing the Town's supply of low and moderate income housing available at affordable housing costs to persons and families of low or moderate income and very low income households outside the Project Area will be of benefit to the Project Area.

**Section 3. Effective Date.** This Resolution shall take effect upon its adoption.

APPROVED AND ADOPTED, this \_\_ day of \_\_\_\_\_, 2009 by the following vote:

Ayes:  
Nays:  
Abstain:  
Absent:

\_\_\_\_\_  
Rick Roelle, Mayor

ATTEST:

\_\_\_\_\_  
LaVonda Pearson, Town Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
Town Attorney

**RDA RESOLUTION NO. 2009-04**

**A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE TOWN OF APPLE VALLEY APPROVING THE CONTRIBUTION OF LOW AND MODERATE INCOME HOUSING FUNDS FROM THE APPLE VALLEY REDEVELOPMENT PROJECT AREA #1 TO THE CALIFORNIA HOUSING PROGRAM LLC FIRST TIME HOMEBUYERS TAX CREDIT SECOND MORTGAGE LOAN PROGRAM AND MAKING FINDINGS THAT SAID CONTRIBUTION WILL BE OF BENEFIT TO THE PROJECT AREA.**

**WHEREAS**, the Redevelopment Agency of the Town of Apple Valley ("Agency") is engaged in the activities necessary to execute and implement the redevelopment plan ("Redevelopment Plan") for the Agency's Redevelopment Project Area #1("Project Area"); and

**WHEREAS**, the Agency is undertaking certain activities necessary for redevelopment in the Project Area pursuant to the provisions of the California Community Redevelopment Law (Health & Safety Code, §§ 33000 et seq.) ("CRL") and the Redevelopment Plan; and

**WHEREAS**, the CRL generally requires that not less than twenty percent (20%) of all taxes allocated to the Agency pursuant to Health and Safety Code Section 33670 must be used by the Agency for preserving, improving, and increasing the Town's supply of low and moderate income housing available at affordable housing cost to persons and families of low or moderate income and very low income households ("Low-Mod Housing Funds"); and

**WHEREAS**, the California Housing Program, LLC ("Corporation"), a California Limited Liability Corporation, has established the First Time Homebuyers Tax Credit Second Mortgage Loan Program ("Program") for the purpose of funding second mortgage loans; and

**WHEREAS**, homes that receive funding through the Program may be located either within or outside of the Redevelopment Project Area #1; and

**WHEREAS**, the Agency has One Hundred Thousand Dollars (\$100,000.00 ) in Low-Mod Housing Funds from the Redevelopment Project Area #1 that are available in order to contribute to the Program; and

**WHEREAS**, Health and Safety Code Section 33334.2(g) provides that the Agency may use such funds outside of a project area if a finding is made by resolution of the Agency Board and the Town Council of the Town of Apple Valley that such use will be of benefit to the Project Area; and

**WHEREAS**, contributing Low-Mod Housing Funds to the Program will be of benefit to the Project Area, as the work carried out as part of the Program will be or the purpose of preserving, improving and increasing the supply of affordable housing within the Town.

**NOW, THEREFORE, BE IT RESOLVED**, by the Board of the Redevelopment Agency of the Town of Apple Valley.

**Section 1. Incorporation of Recitals.** The Agency Board finds and determines that the recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

**Section 2. Low-Mod Housing Fund Contribution.** The Agency Board hereby approves the contribution of One Hundred Thousand Dollars (\$100,000.00) of Low-Mod Housing Funds to the Program, and hereby directs the Agency's Finance Director to make the appropriate transfer of funds to the Program for that purpose.

**Section 3. Finding Regarding Use of Low-Mod Housing Funds Outside Project Area.** The Agency Board hereby finds and declares that the contribution of Low-Mod Housing Funds from the Project Area for the purpose of preserving, improving, and increasing the Town's supply of low and moderate income housing available at affordable housing costs to persons and families of low or moderate income and very low income households outside the Project Area will be of benefit to the Project Area.

**Section 4. Further Acts.** The Executive Director of the Agency is authorized (with the concurrence of Agency Counsel) to execute and deliver on behalf of the Agency any documents and instruments as may be necessary or convenient in the furtherance of the actions authorized by this Resolution.

**Section 5. CEQA Compliance.** The Agency has determined that pursuant to Section 15378(b)(4) of the California Environmental Quality Act ("CEQA") Guidelines the funding contribution contemplated in this Resolution is not a "Project" subject to CEQA review and is therefore exempt from CEQA requirements because it is a government funding mechanism or other governmental fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant impact on the environment.

**Section 6. Effective Date.** This Resolution shall take effect immediately upon its adoption by the Agency Board.

APPROVED AND ADOPTED, this \_\_\_ day of \_\_\_\_\_, 2009 by the following vote:

Ayes:  
Nays:  
Abstain:  
Absent:

\_\_\_\_\_  
Executive Director  
Apple Valley Redevelopment Agency

ATTEST:

\_\_\_\_\_  
LaVonda Pearson, Town Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
Agency Counsel

**RESOLUTION NO. 2009-43**

**A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF APPLE VALLEY FINDING THAT THE CONTRIBUTION MADE BY THE REDEVELOPMENT AGENCY OF THE TOWN OF APPLE VALLEY OF LOW AND MODERATE INCOME HOUSING FUNDS FROM THE REDEVELOPMENT PROJECT AREA #2 TO THE CALIFORNIA HOUSING PROGRAMS, LLC, FIRST TIME HOMEBUYERS TAX CREDIT SECOND MORTGAGE LOAN PROGRAM FOR HOMES OUTSIDE THE PROJECT AREA WILL BE OF BENEFIT TO THE PROJECT AREA**

**WHEREAS**, the Redevelopment Agency of the Town of Apple Valley ("Agency") is engaged in the activities necessary to execute and implement the redevelopment plan ("Redevelopment Plan") for the Agency's Redevelopment Project Area #2 ("Project Area"); and

**WHEREAS**, the Agency is undertaking certain activities necessary for redevelopment in the Project Area pursuant to the provisions of the California Community Redevelopment Law (Health & Safety Code, §§ 33000 et seq.) ("CRL") and the Redevelopment Plan; and

**WHEREAS**, the CRL generally requires that not less than twenty percent (20%) of all taxes allocated to the Agency pursuant to Health and Safety Code Section 33670 must be used by the Agency for preserving, improving, and increasing the Town's supply of low and moderate income housing available at affordable housing cost to persons and families of low or moderate income and very low income households ("Low-Mod Housing Funds"); and

**WHEREAS**, the California Housing Program, LLC ("Corporation"), a California Limited Liability Corporation, has established the First Time Homebuyer Tax Credit Second Mortgage Loan Program ("Program") for the purpose of funding second mortgage loans; and

**WHEREAS**, homes that receive funding through the Program may be located either within or outside of the Apple Valley Redevelopment Project Area; and

**WHEREAS**, by adoption of Resolution No. 2009-xx , the Agency Board approved the contribution of One Hundred Thousand Dollars (\$100,000.00 ) of Low-Mod Housing Funds to the Program; and

**WHEREAS**, Health and Safety Code Section 33334.2(g) provides that the Agency may use such funds outside of a project area if a finding is made by resolution of the Agency Board and the Town Council of the Town of Apple Valley that such use will be of benefit to the Project Area; and

**WHEREAS**, contributing Low-Mod Housing Funds to the Program will be of benefit to the Project Area, as the work carried out as part of the Program will be for the purpose of preserving, improving and increasing the supply of affordable housing within the Town.

**NOW, THEREFORE, BE IT RESOLVED**, by the Town Council of the Town of Apple Valley:

**Section 1. Incorporation of Recitals.** The Town Council finds and determines that the Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

**Section 2. Finding Regarding Use of Low-Mod Housing Funds Outside Project Area.** The Town Council hereby finds and declares that the contribution of LowMod Housing Funds from the Project Area for the purpose of preserving, improving, and increasing the Town's supply of low and moderate income housing available at affordable housing costs to persons and families of low or moderate income and very low income households outside the Project Area will be of benefit to the Project Area.

**Section 3. Effective Date.** This Resolution shall take effect upon its adoption.

APPROVED AND ADOPTED, this \_\_ day of \_\_\_\_\_, 2009 by the following vote:

Ayes:  
Nays:  
Abstain:  
Absent:

\_\_\_\_\_  
Rick Roelle, Mayor

ATTEST:

\_\_\_\_\_  
LaVonda Pearson, Town Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
Town Attorney



**RDA RESOLUTION NO. 2009-05**

**A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE TOWN OF APPLE VALLEY APPROVING THE CONTRIBUTION OF LOW AND MODERATE INCOME HOUSING FUNDS FROM THE APPLE VALLEY REDEVELOPMENT PROJECT AREA #2 TO THE CALIFORNIA HOUSING PROGRAM, LLC FIRST TIME HOMEBUYERS TAX CREDIT SECOND MORTGAGE LOAN PROGRAM AND MAKING FINDINGS THAT SAID CONTRIBUTION WILL BE OF BENEFIT TO THE PROJECT AREA.**

**WHEREAS**, the Redevelopment Agency of the Town of Apple Valley ("Agency") is engaged in the activities necessary to execute and implement the redevelopment plan ("Redevelopment Plan") for the Agency's Redevelopment Project Area #2("Project Area"); and

**WHEREAS**, the Agency is undertaking certain activities necessary for redevelopment in the Project Area pursuant to the provisions of the California Community Redevelopment Law (Health & Safety Code, §§ 33000 et seq.) ("CRL") and the Redevelopment Plan; and

**WHEREAS**, the CRL generally requires that not less than twenty percent (20%) of all taxes allocated to the Agency pursuant to Health and Safety Code Section 33670 must be used by the Agency for preserving, improving, and increasing the Town's supply of low and moderate income housing available at affordable housing cost to persons and families of low or moderate income and very low income households ("Low-Mod Housing Funds"); and

**WHEREAS**, the California Housing Program, LLC ("Corporation"), a California Limited Liability Corporation, has established the First Time Homebuyers Tax Credit Second Mortgage Loan Program ("Program") for the purpose of funding second mortgage loans; and

**WHEREAS**, homes that receive funding through the Program may be located either within or outside of the Redevelopment Project Area #2; and

**WHEREAS**, the Agency has One Hundred Thousand Dollars (\$100,000.00 ) in Low-Mod Housing Funds from the Redevelopment Project Area #2 that are available in order to contribute to the Program; and

**WHEREAS**, Health and Safety Code Section 33334.2(g) provides that the Agency may use such funds outside of a project area if a finding is made by resolution of the Agency Board and the Town Council of the Town of Apple Valley that such use will be of benefit to the Project Area; and

**WHEREAS**, contributing Low-Mod Housing Funds to the Program will be of benefit to the Project Area, as the work carried out as part of the Program will be for the purpose of preserving, improving and increasing the supply of affordable housing within the Town.

**NOW, THEREFORE, BE IT RESOLVED**, by the Board of the Redevelopment Agency of the Town of Apple Valley.

**Section 1. Incorporation of Recitals.** The Agency Board finds and determines that the recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

**Section 2. Low-Mod Housing Fund Contribution.** The Agency Board hereby approves the contribution of One Hundred Thousand Dollars (\$100,000.00) of Low-Mod Housing Funds to the Program, and hereby directs the Agency's Finance Director to make the appropriate transfer of funds to the Program for that purpose.

**Section 3. Finding Regarding Use of Low-Mod Housing Funds Outside Project Area.** The Agency Board hereby finds and declares that the contribution of Low-Mod Housing Funds from the Project Area for the purpose of preserving, improving, and increasing the Town's supply of low and moderate income housing available at affordable housing costs to persons and families of low or moderate income and very low income households outside the Project Area will be of benefit to the Project Area.

**Section 4. Further Acts.** The Executive Director of the Agency is authorized (with the concurrence of Agency Counsel) to execute and deliver on behalf of the Agency any documents and instruments as may be necessary or convenient in the furtherance of the actions authorized by this Resolution.

**Section 5. CEQA Compliance.** The Agency has determined that pursuant to Section 15378 (b) (4) of the California Environmental Quality Act ("CEQA") Guidelines the funding contribution contemplated in this Resolution is not a "Project" subject to CEQA review and is therefore exempt from CEQA requirements because it is a government funding mechanism or other governmental fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant impact on the environment.

**Section 6. Effective Date.** This Resolution shall take effect immediately upon its adoption by the Agency Board.

APPROVED AND ADOPTED, this \_\_ day of \_\_\_\_\_, 2009 by the following vote:

Ayes:  
Nays:  
Abstain:  
Absent:

\_\_\_\_\_  
Executive Director  
Apple Valley Redevelopment Agency

ATTEST:

\_\_\_\_\_  
La Vonda Pearson, Town Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
Agency Counsel

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**APPLE VALLEY REDEVELOPMENT AGENCY**

and

**CALIFORNIA HOUSING PROGRAMS, LLC**  
as Administrator

**LOAN PROGRAM**

**AND**

**ADMINISTRATION AGREEMENT**

**FIRST TIME HOME BUYERS TAX CREDIT  
SECOND MORTGAGE LOAN PROGRAM**

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THIS LOAN PROGRAM AND ADMINISTRATION AGREEMENT (the “Agreement”), made and entered into as of August XX, 2009, by and between the Apple Valley Redevelopment Agency (the “Agency”) and California Housing Programs, LLC, as Administrator (the “Administrator”).

WITNESSETH:

WHEREAS, the Agency established a program to provide subordinate-lien mortgage loans (“Second Loans”) to first time homebuyers known as the First Time Home Buyers Tax Credit Second Mortgage Loan Program (the “Program”) in connection with first mortgage loans (“First Loans”) to finance the acquisition of homes in the community.

WHEREAS, community lending institutions (“Lenders” and each a “Lender”) may participate in the program by originating a 30-year fixed rate term FHA-insured first mortgage loan and acting as agent for the Agency in funding a Second Loan for which the Agency will reimburse the Lender.

WHEREAS, Agency states that it is a government agency;

WHEREAS, the terms and conditions under which Lenders may be reimbursed by the Agency for funding Second Loans are provided in the Program Guidelines (the “Program Guidelines”), an initial version of which is attached hereto as Exhibit B.

WHEREAS, to assist in effectuating the Program, the Agency and Administrator have undertaken to enter into this Agreement and wish to set forth the terms and conditions upon which each party will participate in the Program.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter provided, the parties hereby agree as follows:

**ARTICLE I**  
**DEFINITIONS; INTERPRETATION**

**Definitions.** Unless the context otherwise requires, the terms defined in this Section 1.01 shall for all purposes of this Agreement have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined.

“*Administrator*” means California Housing Programs, LLC, which shall be the sole and exclusive administrator of the Program.

“*Agency*” means the Apple Valley Redevelopment Agency, a public body, corporate and politic, which is a government agency.

“*Program Guidelines*” means the guidelines prepared by the Administrator for the origination, servicing and delivery of Second Loans and the eligibility, credit and security underwriting standards applicable thereto, as may be amended and supplemented from time to time by the Administrator. An initial version of the Program Guidelines is attached hereto as Exhibit B and incorporated herein. Any changes to the attached Program Guidelines shall be approved in writing by Administrator and by the Agency’s Executive Director, or his designee.

Upon such approval, the updated Program Guidelines shall be attached to this Agreement and shall amend and replace the current version.

“*First Loan*” means a first mortgage loan originated by a Lender which is a 30-year fixed rate mortgage loan insured by FHA .

“*Program*” means the First Time Home Buyers Tax Credit Second Mortgage Loan Program adopted by the Agency.

“*Second Loan*” means a subordinate mortgage loan originated by the Agency, through a Lender acting as agent for the Agency for the purposes of funding the loan, under the Program. Also referred to in the Program Guidelines as the “2<sup>nd</sup> mortgage”

“*State*” means California.

### **Section 1.01 Interpretation.**

(a) In this Agreement, unless the context otherwise requires:

(i) the terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms, as used in this Agreement, refer to this Agreement and the term “heretofore” means before and the term “hereafter” means after the date of this Agreement;

(ii) words of the masculine gender mean and include correlative words of the feminine and neuter genders and words importing the singular number mean and include the plural number and vice versa; and

(iii) unless otherwise indicated, section references herein refer to sections of this Agreement.

(b) Nothing in this Agreement expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than the parties to this Agreement, any right, remedy or claim under or by reason of this Agreement or any covenant, condition or stipulation hereof.

(c) Notwithstanding anything contained in this Agreement to the contrary, (i) any and all provisions in this Agreement referring to the regulations, requirements, guidelines and other rules of any governmental or quasi-governmental agency (such as FHA) or to any approvals or notices from or consents or other actions required of any such agency shall be applicable or required as specified in this Agreement only if First Loans have been sold to or guaranteed or insured by such agency, and (ii) if any of the provisions of this Agreement conflict or are inconsistent with the regulations, requirements, guidelines or other rules of any such agency that are applicable to the origination of any First Loan, then the regulations, requirements, guidelines and rules of the agency in question shall govern the origination of such First Loan.

**ARTICLE II  
REPRESENTATIONS AND WARRANTIES**

**Section 2.01 Representations and Warranties of the Agency.** The Agency represents and warrants as follows:

- (a) This Agreement has been duly authorized, executed and delivered by Agency.
- (b) To the best of the Agency's knowledge, no litigation is pending or threatened against Agency which would prohibit its entering into this Agreement or consummating the transactions contemplated hereby.
- (c) Agency is a governmental organization authorized to provide down payment and closing cost assistance of the type described herein.

**Section 2.02 Representations and Warranties of the Program Administrator.** The Program Administrator represents and warrants as follows:

- (a) The Administrator is a duly organized, validly existing limited liability company.
- (b) This Agreement has been duly authorized, executed and delivered by Administrator.
- (c) To the best of the Administrator's knowledge, no litigation is pending or threatened against the Administrator which would prohibit its entering into this Agreement or consummating the transactions contemplated hereby.

**Section 2.03. Survival of Representations and Warranties.** All of the representations and warranties made by the parties in this Agreement shall survive the execution and delivery of this Agreement.

**ARTICLE III  
THE ADMINISTRATOR**

**Section 3.01 General.**

(A) The Administrator shall have general responsibility for determining compliance with the terms hereof, including, but not limited to the review and examination of the documents submitted by the Lenders in connection with the origination of Second Loans under the Program and determination of compliance of such Second Loans with the requirements of the Program. The Administrator shall have the full power and authority, acting alone, to do and perform any and all things which are necessary or desirable to carry out its duties and

responsibilities under the Program, as set forth herein, unless contrary to the express provisions of this Agreement or contrary to law. Agency retains Administrator hereunder on an independent contractor basis and Administrator is not an employee of Agency.

(B) The Administrator further agrees to do and perform all acts and things required to be performed by it pursuant to this Agreement as set forth in Exhibits A and B, which are attached hereto and incorporated herein. The Administrator may delegate such functions as are required to be performed by the Administrator to another entity expressly approved in writing by the Agency.

(C) Administrator shall carry out its duties and obligations under this Agreement in a skillful and competent manner, consistent with the standard generally recognized as being employed by professionals in the same discipline in the State, and consistent with all applicable federal, state and local laws, rules and regulations. Administrator represents and maintains that it is skilled in the professional calling necessary to perform its duties and obligations hereunder.

**Section 3.02 Administrator's Insurance Policies.** The Administrator shall maintain through its officers or affiliates, at its own expense, in full force and effect throughout any period during which it is administering First Time Home Buyers Tax Credit Second Mortgage Loan Program pursuant to this Agreement a commercial general liability policy, a worker's compensation, automobile liability and an errors and omissions insurance policy, each in amounts, as described in Exhibit A, copies of which shall be provided to the Agency, covering the Administrator's officers and employees and other persons acting on behalf of the Administrator in its capacity as the Administrator under this Agreement. Administrator shall add the Agency as an additional insured under its commercial general liability policy and automobile liability policy and shall request in writing that the providers of all policies required hereunder notify the Agency 10 days prior to cancellation of such bond and/or policy. The insurance requirements are further described in Exhibit A. In the event that any bond or policy shall cease to be in effect during the required period, the Administrator shall obtain from an issuer or insurer licensed in the State and acceptable to the Agency a comparable replacement bond or policy, as the case may be. No provision of this Section shall operate to limit the Administrator's responsibilities and obligations as set forth in this Agreement.

**Section 3.03 Access to Certain Documentation and Information Regarding the First Time Home Buyers Tax Credit Second Mortgage Loans.** The Administrator shall provide to the Agency and its respective examiners, supervisory personnel and other agents access at a location in the Town of Apple Valley to the documentation regarding the Program requested by them, such access being afforded without charge, upon request during normal business hours at the offices of the Administrator.

**Section 3.04 Assignment of Administrator's Obligations.** The Administrator may, with the prior written consent of the Agency, assign any or all of its rights and obligations pursuant to this Agreement to another qualified administrator or administrators. Any agreement to assign rights and obligations shall provide that the transferee administrator must assume the



obligations of this Agreement. The membership of the Administrator shall not be changed without the Agency's written content, which consent shall not be unreasonably withheld or delayed. If the Administrator makes an assignment pursuant to this Section, the Administrator shall pay or reimburse the Agency for any reasonable costs, including legal costs, incurred by the Agency in connection therewith.

**Section 3.05 Liability of the Administrator.** The Administrator shall be required to perform only those duties and observe only those covenants specifically set forth in this Agreement, or reasonably required for the satisfactory performance of the covenants specifically set forth herein, including the attached exhibits, and shall be liable hereunder for its failure to dutifully perform such duties and obligations. If and to the extent the Administrator is required hereunder to perform and act at the written direction of the Agency, the Administrator shall only be obligated to act according to and may rely upon such direction.

**Section 3.06 Compensation.**

The Agency shall be compensated as follows:

Fee: At the closing on the Second Loan, the seller of the home ("Seller") will pay Agency .75% of the purchase price not to exceed \$2,500.

The Administrator shall be compensated hereunder pursuant to the following schedule.

Fee: For each Second Loan that closes, and to the extent paid by the Seller to the Agency, Agency is to pay the Administrator .75% less Seventy-five dollars (\$75.00) to offset wiring fees.

Monthly Fee: For each Second Loan funded under the Program a monthly administration/servicing fee of \$25.00 will be included in the Second Loan payment for any Second Loan not paid off within the first six months of the term and will be paid by the purchaser of the home ("Borrower").

**ARTICLE IV  
THE PROGRAM**

**Section 4.01 Program Terms.** The Administrator will prepare and revise its Program Guide, subject to Agency approval, to set forth the terms of the Program and the terms and provisions of the First Loans and Second Loans. The Administrator will consult with the Agency regarding the specific terms of the Program and the First Loans and Second Loans to be made in connection with the Program. Specific terms prescribed by the Agency for eligible homebuyers, the geographic area of the Agency's community, and the terms of the First Loans and the Second Loans are set forth in the initial version of the Program Guide attached hereto.

**Section 4.02 Loan Purchase Guidelines.** The Administrator will accept reservations, confirm eligibility information, and assign Second Loan commitments in the order they are received from Lenders and according to the procedures set forth in the Program Guidelines (Exhibit B). Information relating to the Program and eligibility of First Loans and Second Loans

will be made available by the Administrator to the Agency and to Lenders via the internet, electronically or in such other manner reasonably determined by the Administrator.

**Section 4.03 Establishment of Interest Rates and Prices for Second Mortgage Loans.** The Administrator will post on its rate sheets the rates and prices for Second Loans to be originated under the Program. The rates and prices for Second Mortgage Loans shall include the fees and charges of the Agency and its agents.

**Section 4.04 Funding of Second Loans.** During the term of this Agreement, the Agency commits to fund up to \$200,000.00 in Second Loans for the benefit of qualified homebuyers (the Program) for the purchase of qualifying residences within the Town of Apple Valley. Lenders acting as agent for the Agency in connection with Second Loans made in the name of the Agency are required to advance the Second Loan proceeds at closing from the Lender's own resources and will be reimbursed by the Agency.

## **ARTICLE V SERVICING OF SECOND MORTGAGE LOANS**

**Section 5.01 Servicing Duties of the Administrator.** The Administrator shall act as Servicer with respect to all Second Loans under the Program.

**Section 5.02 Assignment of Servicing.** The Administrator may, at any time, assign all or any portion of the servicing right for the Second Loans on any terms acceptable to the Servicer and Administrator provided that any agreement to assign servicing rights and obligations shall receive the approval of the Agency.

## **ARTICLE VI TERMINATION OF AGREEMENT**

**Section 6.01 Termination for Convenience.** Either party hereto may terminate this Agreement upon no less than sixty (60) days' written notice to the other party. All reservations and commitments for Second Loans under the Program outstanding as of the date of notice of termination will be subject to this Agreement. Termination of this Agreement shall not affect any rights or obligations arising from Second Loans made prior to the effective date of termination, but no fees will be payable to Administrator after termination except to the extent they have accrued prior to the termination.

**Section 6.02 Termination for Cause.** Upon a material breach of any term or condition contained herein, the party that is not in breach may immediately terminate this Agreement by providing notice to the party in breach of such termination, including the effective date thereof.

**Section 6.03 Effect of Termination.** Upon termination Administrator shall cooperate with the Agency to provide all Program documentation to Agency and to transfer all outstanding Second Loan servicing obligations to Agency or any other party designated by Agency.

**Section 6.04 Liability after Termination.** Termination of this Agreement shall not release any party from any responsibility or liability on the part of such party that arises prior to termination.

## **ARTICLE VII MISCELLANEOUS**

**Section 7.01 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 under this Agreement or existing at law or in equity. No delay or omission to exercise any right or power accruing under this Agreement shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

**Section 7.02 Notices.** All notices, certificates or other communications required to be given 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 Apple Valley Redevelopment Agency at: 14955 Dale Evans Parkway, Apple Valley, CA 92307 Attention: Executive Director; addressed to the Administrator at: 2776 Gateway Road, Carlsbad, CA 92009, Attention: President, or to such other addresses provided by each such party to the other parties.

Any party may, by written notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

**Section 7.03 Governing Law.** All questions with respect to the construction of this Agreement, and the rights and liability of the parties hereto, shall be governed by the laws of the State without regard to the conflict of laws principles of the State. Venue shall be in San Bernardino County.

**Section 7.04 Article and Section Headings and References.** The headings or titles of the several articles and sections hereof, and the table of contents appended hereto, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Agreement.

**Section 7.05 Severability.** If any term or provision of this Agreement or the application thereof shall to any extent be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to circumstances other than those to which it is invalid or unenforceable, shall not be affected thereby and shall be enforced to the extent permitted by law. To the extent permitted by applicable law, the parties hereby waive any provision of law which would render any of the terms of this Agreement unenforceable.

**Section 7.06 Waiver.** No failure on the part of any party hereto to enforce any covenant or provision herein contained, or any waiver of any right hereunder, shall discharge or invalidate such covenant or provision or affect the right of such party to enforce the same in the

event of any subsequent breach or default; failure to demand strict performance of any covenant or condition of this Agreement shall not be deemed a waiver of such covenant or condition.

**Section 7.07 Further Assurances and Corrective Instruments.** To the extent permitted by law, the Agency and the Administrator agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the intention of or facilitating the performance of this Agreement.

**Section 7.08 Capability.** The Administrator represents that it is capable of providing the services and otherwise aiding the Agency as set forth herein.

**Section 7.09 Amendments.** This Agreement may be amended only in writing and upon approval of the parties hereto.

**Section 7.10 All Prior Agreements Superseded.** This Agreement supersedes any prior agreements and understandings among the parties hereto governing the Program.

**Section 7.11 Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

**Section 7.12 Limitation on Liability of Directors, Officers, Employees and Agents of the Parties.** No director, officer, employee or agent of any party hereto shall be under any liability to any party for any action taken or for refraining from the taking of any action in good faith pursuant to this Agreement, or for such errors in judgment as a reasonably prudent businessperson would make. Nothing in this Section 7.12 is intended to imply liability on the part of any person who otherwise would not be liable.

**Section 7.13 Limitation on Liability of Parties.** Each party to this Agreement shall be liable under this Agreement only to the extent that obligations are explicitly imposed upon the party against whom enforcement is sought under the terms of this Agreement and the attached exhibits, or for any negligent act, omission or any willful misconduct of any party acting pursuant to its rights or obligations hereunder.

**Section 7.14 Indemnification.** Administrator shall indemnify, defend and hold the Agency, its directors, officials, officers and employees free and harmless from any and all claims, demands, causes of action, costs, expenses, liabilities, losses, damages or injuries, in law or in equity, to property or persons, including wrongful death, slander or libel, in any manner arising out of or incident to any negligent acts, omissions or willful misconduct of the Administrator, its officials, officers, employees and agents, in connection with the performance of this Agreement,

[Signature page follows]

IN WITNESS WHEREOF, the Agency and the Administrator have duly executed this Agreement as of the date first above written.

Apple Valley Redevelopment Agency

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

California Housing Programs, LLC

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## **EXHIBIT A**

### **INSURANCE REQUIREMENTS FOR CONSULTANTS**

Consultant shall procure and maintain for the duration of the contract insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the Consultant, its agents, representatives, or employees.

#### **Minimum Scope of Insurance**

Coverage shall be at least as broad as:

1. Insurance Services Office Commercial General Liability coverage (occurrence from CO 0001).
2. Insurance Services Offices form number CA 0001 (Ed. 1187) covering Automobile liability, code 1 (any auto).
3. Workers' Compensation Insurance as required by the State of California and Employer's Liability.
4. Errors and omissions liability insurance appropriate to the consultant's profession.

#### **Minimum Limits of Insurance**

Consultant shall maintain limits no less than:

1. General Liability: \$1,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.
2. Automobile Liability: \$1,000,000 per accident for bodily injury and property damage.
3. Employer's Liability: \$1,000,000 per accident for bodily injury or disease.
4. Errors and omissions liability: \$1,000,000 per occurrence and \$1,000,000 annual aggregate.

#### **Deductibles and Self-Insured Retentions**

Any deductibles or self-insured retentions must be declared to and approved by the Town. Except with respect to professional liability coverage, at the option of the Town, either: the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the Town, its officers, officials, employees and volunteers; or the Consultant shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.

### **Other Insurance Provisions**

The general liability and automobile liability policies are to contain, or be endorsed to contain, the following provisions:

1. The Town, its officers, officials, employees and volunteers are to be covered as insureds as respects: liability arising out of activities performed by or on behalf of the Consultant; products and completed operations of the Consultant; premises owned, occupied or used by the Consultant; or automobiles owned, leased, hired or borrowed by the Consultant.

The coverage shall contain no special limitations on the scope of protection afforded to the Town, its officers, officials, employees or volunteers.

2. For any claims related to this project, the Consultant's insurance coverage shall be primary insurance as respects the Town, its officers, officials, employees and volunteers. Any insurance or self-insurance maintained by the Town, its officers, officials, employees or volunteers shall be excess of the Consultant's insurance and shall not contribute with it.
3. Any failure to comply with reporting or other provisions of the policies including breaches of warranties shall not affect coverage provided to the Town, its officers, officials, employees or volunteers.
4. The Consultant's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.
5. Each insurance policy required by this clause shall be endorsed to state that coverage shall not be cancelled by either party except after thirty (30) days prior written notice by first class mail, postage prepaid, has been given to the Town, ten (10) days notice if cancellation is due to nonpayment of premium.

### **Acceptability of Insurers**

Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A: VII, unless otherwise acceptable to the Town.

### **Verification of Coverage**

Consultant shall furnish the Town with original endorsements effecting coverage required by this clause. The endorsements are to be signed by a person authorized by that insurer to bind coverage on its behalf. The endorsements are to be on forms provided by the Town. All endorsements are to be received and approved by the Town before work commences. As an alternative to the Town's forms, the Consultant's insurer may provide complete, certified copies of all required insurance policies, including endorsements affecting the coverage required by these specifications, or endorsement/certificated approved by the Town.

## **EXHIBIT B**

### **FIRST TIME HOME BUYERS TAX CREDIT SECOND MORTGAGE LOAN PROGRAM**

#### **ADMINISTRATOR'S PERFORMANCE OUTLINE**

The Administrator's obligations, duties and responsibilities shall include the following and all related activities reasonably necessary to perform the following:

(1) Assist with the provision of down payment and closing cost assistance for eligible purchasers in an amount not to exceed \$8,000 per Second Loan.

(2) Review and approve or reject the mortgage documentation for First Time Home Buyers Tax Credit Second Mortgage Loan Program (the "Program") as established in the agreements and other documentation for the Program (collectively, the "Mortgage Documentation"), and notify the appropriate originators of any defects in the Mortgage Documentation. Following receipt by the Administrator of Mortgage Documentation, the Administrator shall review the Mortgage Documentation within two business days and determine whether the Mortgage Documentation is complete. In the event the Mortgage Documentation is complete, the approval or rejection process of the Mortgage Documentation shall comply with the following standards: (i) maximum review time for any Mortgage Documentation—two business days; and (ii) for at least 50% of Mortgage Documentation—one business day.

(3) Provision, management, retention and storage of all Mortgage Documentation as may be submitted for review under the Program. All Mortgage Documentation shall be retained for a period of one year following payment in full of all mortgage loans, at which point the Mortgage Documentation shall be transferred to the Agency. Maintain confidential all Mortgage Documentation provided to Administrator, except as may be required by law or for purposes of funding loans under the Program.

(4) Monitor the performance of the Lender(s) including review and collection of reports required to be provided by Lenders. The Administrator shall monitor the volume of Second Loans originated by Lenders.

(5) Prepare reports for submission to the Agency.

(6) Investigate any problems of a participating Lender's performance related to compliance under the Program, and notification to the Agency of any Lender's adverse performance.

(7) Consult with the Agency regarding promotion of the Program to residents, real estate professionals and lenders.



(8) Conduct Real Estate Agent and Lender training.

(9) Provide Program Guidelines deemed necessary in order to assure compliance by the Real Estate Agents and Lenders of the terms of the Program. Submit for Agency's approval. (Initial Guidelines are attached as Exhibit B)

(10) Assist homebuyer in amending his/her 2008 Tax return to secure up to the maximum \$8,000 Federal Tax Credit. (Tax Credit will be applied to pay off Second Loan advanced by the Agency to provide down payment and closing cost assistance.)

(11) For those Second Loans that have not been repaid in full within the first six months of term, the Administrator shall have AmeriNational Community Services, Inc service the loan and perform appropriate servicing functions.

(12) Verify that Lender's title insurance in favor of Agency in the amount of the Agency loan has been issued as of the closing of the loan and that it insures that the Agency's deed of trust is subordinate to no rights to purchase and no liens (except for the purchase money lien and for liens for property taxes and assessments that are not due and payable).

**EXHIBIT C**

**FIRST TIME HOME BUYERS  
TAX CREDIT ADVANCE  
SECOND MORTGAGE LOAN PROGRAM**

**PROGRAM GUIDELINES**

Overview	This affordable housing program is designed to provide a 2nd mortgage to fund home buyers down payment and closing costs from funds provided by the Apple Valley Redevelopment Agency. Participating Mortgage Lender will verify that the potential home owner and the mortgage loan complies with these guidelines and originate an FHA 1 <sup>st</sup> mortgage loan in accordance with applicable FHA program guidelines in conjunction with a 2 <sup>nd</sup> mortgage on properties in the Town of Apple Valley, CA.
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**LOAN PARAMETERS 1<sup>ST</sup> MORTGAGE**

Origination Period	The First Mortgage must be originated and closed on or before November 30, 2009.
First Mortgage	FHA 30 Year, Fixed Rate, Fully Amortizing loan.
Down payment and Closing Cost Assistance	Maximum Amount of down payment and closing cost assistance is \$8,000. Down payment and closing cost assistance will be secured by a 2 <sup>nd</sup> mortgage note and deed of trust.
Maximum First Loan Amount	Current FHA loan limit.
Participating Mortgage Lender	Participating Mortgage Lender is a Lender that executes the Lender Agreement, is any lender approved as such by FHA/HUD and legally licensed to operate in the State of CA and the Town of Apple Valley.
First Time Home Buyer	Homeowner must be a first time homebuyer, meaning a homebuyer that has not owned his/her residence in the last three years.
Seller Contributions	Seller may pay up to 5% in seller concessions, in addition to the .75% program participation fee, for purposes approved by FHA.
FHA and IRS Guidelines	Homebuyer must meet all other credit reputation provisions as determined by FHA.
Allowable Lender Fees	The Mortgagors shall pay no more than the usual and reasonable settlement costs (e.g., titling and transfer costs, title insurance, survey fees, and similar costs) and the usual and reasonable financing costs (e.g., credit reference fees, legal fees, appraisal expenses, points paid by the Mortgagors, application fees for assumption of mortgage, if any), or other usual and reasonable costs of financing the Home.

**HOME BUYER(S) QUALIFICATIONS**

Occupancy	Homebuyer whose income is used to qualify must intend and commit to live in the property as their principal residence for at least three years.
Qualify for 1 <sup>st</sup> mortgage	Homebuyer to qualify for FHA 30 Year, Fixed Rate, Fully Amortizing loan.
First Time Home Buyers	Homebuyer must not have owned his/her residence in the last three years
Income Limitation	No more than 120% of area median income, as required by California Health & Safety Code Section 50093 and 25 California Code of Regulations Section 6910, <i>et seq.</i>
Home Buyer Down Payment	Homebuyer responsible for FHA down payment requirement/funds not covered by the 2 <sup>nd</sup> mortgage advance.

Federal Tax Credit Advance	Down payment and closing cost advance is conditioned upon homebuyer amending his/her 2008 Federal Tax Return to secure the Federal Tax Credit to pay off the Agency mortgage.
FHA Guidelines	Homebuyer must meet all other credit reputation provisions as determined by FHA and must meet all applicable IRS guidelines.
Comprehensive Homebuyer Education	Agency requires at least one member of each household whose income is used to qualify for the program attends a homebuyer education class.

### PROPERTY QUALIFICATIONS

Program Area	Properties must be located within the Town of Apple Valley, CA.
Eligible Types	One-Unit, Single-Family detached, Condos and Planned Unit Developments. Manufactured Homes are not eligible. No Mobile Homes or Cooperatives.
Targeted Areas	None
Property Inspections	Agency encourages all homeowners to hire a licensed Property Inspector to inspect the home being purchased.
Home Warranty	A Home Warranty must cover each property for a period of one-year.

### AFFORDABILITY REQUIREMENT

Housing Cost	The "housing cost" resulting from the purchase price, First Mortgage and the other costs described in 25 California Code of Regulations Section 6920 must be an Affordable Housing Cost for the applicable income category of the buyer/borrower under and as defined in California Health & Safety Code Section 50052.b and 25 California Code of Regulations Section 6920, 6924 and other applicable regulations.
Documentation	A copy of the borrower's purchase agreement, and other information available to borrower or requested by the Administrator and necessary to verify such costs must be delivered to the Administrator before the loan can be made.

### THE SECOND MORTGAGE

Term of the Note	The interest rate on the note is 8%, plus a monthly servicing fee of \$25.00. Interest will not commence until the earlier of six months after the date of the mortgage note, 10 days after receipt of the tax refund, or a sale of the residence or refinancing of the first loan.
Loan Amount	2 <sup>nd</sup> Mortgage loan amount not to exceed \$8,000.00.
Time of Repayment	The Note shall be due and payable in full ten (10) days after receipt of the tax credit refund or any sale, or any refinancing of the First Deed of Trust. Six months after the date of the mortgage note, there will be monthly payments of principal (amortized on a twenty year amortization schedule), interest, and a \$25.00 per month servicing fee.
Mortgagor/Beneficiary-2 <sup>nd</sup> Mortgage Funding	Second Mortgage Loan Documents must be drawn in the name of the Agency. Lender to advance funds for 2 <sup>nd</sup> mortgage and to be reimbursed by Agency. To the extent that the funds advanced by the homebuyer plus the first and second mortgage amounts exceed amounts required at the closing, the Lender will reduce the SECOND mortgage amount.
2 <sup>nd</sup> Mortgage Instruments and Title Insurance	Mortgages must be originated using the Second Note and Deed of Trust documents as provided by the Agency. Form of note and deed will be provided to any lender who decides to participate in the program, plus said documents will be posted on the following website: <a href="http://www.californiahousingprograms.com">www.californiahousingprograms.com</a> . Lender will, on behalf of the Agency prepare the Second-Lien-Truth-In-Lending statement, comply with RESPA, HOEPA, ECOA/FCRA and record the second lien.  Title insurance in favor of Agency in the amount of the Agency loan must be issued as of the closing of the loan and must insure that the Agency's deed of trust

	is subordinate to no rights to purchase and no liens (except for the purchase money lien and for liens for property taxes and assessments that are not due and payable).
Administrator	California Housing Programs, LLC
Origination Period	The 2nd Mortgage must be originated and closed on or before November 30, 2009.
First Time Home Buyers	Homebuyer must be a First Time Home Buyer in order to receive the down payment and closing cost assistance. First time home owner is defined as a home buyer that has not owned his/her principal residence in the last three years
Federal Tax Credit Advance	Agency down payment and closing cost advance is conditioned upon homebuyer amending his/her 2008 Federal Tax Return to secure the Federal Tax Credit to pay off the Agency 2 <sup>nd</sup> mortgage. Lender to verify no Federal tax liens exist against the homebuyers.
Loan Reservation	Reservation requests will be submitted to the Program Administrator by fax at (949) 489-1497. Reservations are not transferable to other borrowers or other properties. The Program Administrator will monitor program funds and notify Lender when Down Payment Assistance has been depleted. Mortgagors must be considered irrespective of race, color, religion, national origin, age, sex, veterans status, disability, or marital status of such Mortgagor.
Recordation Requirements	The Second Mortgage Loan must be recorded in the official public records of County such that it constitutes a valid second lien upon the property as shown by a lender's title policy issued in favor of Agency at borrower's cost.
Additional Subsidy	The use of a subsidy in addition to the Second Mortgage Loan Program will not be allowed.
Affidavits	All applicable affidavits must be accurately completed and included in the transmittal sheet submitted to Program Administrator. Neither the Agency nor the Program Administrator has the ability to alter or waive any applicable affidavits.

**2<sup>ND</sup> MORTGAGE PROGRAM FEES/REBURSEMENT OF 2<sup>ND</sup> MORTGAGE**

2 <sup>nd</sup> Mortgage Program Fees and Lender Reimbursement of 2 <sup>nd</sup> mortgage advance.	<ul style="list-style-type: none"> <li>• Program Administration Fee of .75% paid by seller to the Agency at closing.</li> <li>• Home Warranty Fee paid by the Seller or Real Estate Agent for a one-year term.</li> <li>• Escrow Fee</li> <li>• Title Insurance Premium</li> </ul> <p>2nd Mortgage funds advanced by 1<sup>st</sup> Mortgage Lender will be reimbursed daily upon receipt of closing documents listed on the Mortgage Submission Voucher by Program Administrator.</p>
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