

The Homeowner Septic Repair Loan Program Manual

and Condominium Association Supplement

**Commonwealth of Massachusetts
Department of Environmental Protection
One Winter Street
Boston, MA 02108
1 (800) 266-1122**

**Massachusetts Housing Finance Agency
One Beacon Street
Boston, MA 02108
(617) 854-1000**

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Bernard Brown, Manager of Compliance and Diversity
Tom Lyons, 504/ADA Coordinator
Deb Sullivan, 504/ADA Employment Coordinator
Laurie Wallach, General Counsel

MHFA's phone number is (617) 854-1000 (Voice)
(617) 854-1025 (TDD)
(617) 854-1029 (Fax)
1-800-439-2370 (Massachusetts Relay Number)

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Homeowner Septic Repair Loan Program

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Homeowner Septic Repair Loan Program

Introduction

This manual has been developed to provide information to lenders on the origination, underwriting, and processing of loans under the Homeowner Septic Repair Program. All individual applicants must complete a Uniform Residential Loan Application (FNMA 1003). At the same time all borrowers must complete a "Borrower Affidavit" (Form SL-200) which certifies borrower's income and upon which the lender will determine the Borrower's eligibility for a Septic Repair loan.

Part I, Section 1 of this manual provides a Glossary of Terms that are relevant to this program. **Section 2** describes the Homeowner Septic Repair Program; lender approval process; loan underwriting; loan closing; and finally selling loans to the Massachusetts Housing Finance Agency. **Section 3** contains the approved forms used in the origination and purchase of the Septic Repair loans. **Appendix A** lists income limits applicable to this program.

Part II, is a supplement to **Part I** and sets forth the terms pursuant to which Septic Repair Loans to residential condominium trusts or associations will be purchased by the Agency under a Master Loan Purchase Agreement with a participating Lender.

Program Overview

On March 31, 1995, the Weld Administration promulgated revised regulations relative to the subsurface disposal of sanitary sewage contained in 310 CMR 15.00, commonly referred to as "Title 5." Additional changes were announced on August 2, 1995. The Title 5 regulations had not been modified since 1978. Prior to the revisions announced in 1995, septic system inspections were not required by the Commonwealth. As a result, many malfunctioning and polluting septic systems went undetected throughout the Commonwealth. The major revision to Title 5 is the requirement that all septic systems be inspected at the time of property transfer. This initially resulted in a slowdown in the real estate market due, in part, to unforeseen (and often significant) septic system repair costs incurred by homeowners attempting to sell their properties. While the real estate market has recovered, homeowners continue to face significant costs to repair or replace their septic systems. As a result, the Commonwealth has established several funding mechanisms to provide financial assistance to homeowners in need.

The Department of Environmental Protection (DEP) has allocated \$13 million for the purpose of financing septic loan repairs. This program is referred to as the Homeowner Septic Repair Loan Program (HSRLP).

The Massachusetts Housing Finance Agency (MHFA) has substantial experience in developing, administering, and marketing loan programs that benefit low and moderate income

Homeowner Septic Repair Loan Program

borrowers, including its Home Improvement Loan Program. In view of MHFA's relevant experience, DEP has contracted with MHFA to implement and administer the HSRLP. The HSRLP is available to owners of owner-occupied 1-4 family properties and condominium associations with failed septic systems. To encourage lender participation, the Commonwealth will provide a \$500 per-loan origination fee to lenders.

Homeowner Septic Repair Loan Program: Part I - Section 1

GLOSSARY OF TERMS: Part I

Agency or MHFA

The Massachusetts Housing Finance Agency: a body politic and corporate constituting a public instrumentality of the Commonwealth of Massachusetts, organized and existing under Chapter 708 of the Acts of 1966 of the Commonwealth of Massachusetts, or any body, agency, or instrumentality of the Commonwealth of Massachusetts which shall hereafter succeed to the powers, duties and functions of the Agency.

Certificate of Compliance

A Certificate issued by the local Board of Health to the owner of the onsite sewage disposal system indicating that the system has been constructed or upgraded and inspected as necessary in compliance with Title 5.

Septic Repair Loan

A loan funded by the Commonwealth and used to finance the upgrade of a failed sewage disposal system within the meaning of Title 5.

DEP

Department of Environmental Protection of the Commonwealth of Massachusetts.

Disposal System Construction Permit

A written approval issued by the local Board of Health authorizing the construction or upgrade of an on-site sewage disposal system.

Eligible Borrowers and Eligible System Upgrades

All owners of 1-4 family homes and owners of condominiums units used for residential purposes with failed sewage disposal systems within the meaning of Title 5. Borrowers must meet the Household Income Limits established for the program. Life Estates and trusts are ineligible. Eligible system upgrades include connecting homes to an available sewer but does not include the upgrade of a system for the purpose of accommodating an expansion of a home.

Homeowner Septic Repair Loan Program: Part I - Section 1

Escrow Account

A separate account established by the Lender or Lender's Agent on behalf of a borrower for the purpose of funding repairs made to the failed sewage disposal system or costs associated with connecting such residential home to available public sewer.

Gross Annual Household Income

The aggregate annualized gross income of the borrower(s) and any other person(s) other than the borrower(s) who is a co-signer of the Septic Loan and lives in the residence that the borrower is occupying, as defined by the Agency.

Lender

Any bank, mortgage broker, mortgage company, or mortgage banker, savings bank, or credit union maintaining an office in the Commonwealth of Massachusetts and authorized to transact business in the Commonwealth is eligible to participate.

Loan Purchase Agreement

An Agreement between the Agency and a Lender under which the Agency agrees to purchase Septic Repair Loans from the Lender.

Mortgage Loan

An obligation secured by a mortgage constituting a lien upon real property located in the Commonwealth and improved by a residential building not exceeding four living units.

Subsurface System

Disposal System

Inspection Form

Completed by an approved Septic System Inspector, the form certifies that an inspection has been performed, indicates the condition of the sewage disposal system, and rates the system as: passes; conditionally passes; needs further evaluation; or fails.

Homeowner Septic Repair Loan Program: Part I - Section 1

Table Funding

A process whereby a Mortgage and a Note are purchased from a primary Lender on the disbursement date of the loan.

Homeowner Septic Repair Loan Program: Part I - Section 2

PROGRAM DESCRIPTION

Application

Applications are only available through Lenders who have entered into a Purchase Agreement with the Agency specifically for Homeowner Septic Repair Loans.

At time of application, the borrower must complete a Borrower's Affidavit for the Lender. The Lender uses the Affidavit to determine income eligibility for the Septic Repair Loan Program.

Lender Approval Process

Lenders must submit 2 signed copies of a Master Loan Purchase Agreement to MHFA. MHFA will execute the Agreement and return one copy to the Lender.

Eligible Borrowers

All owner-occupied 1-4 family properties and condominiums with failed septic systems with incomes that meet the income limits test are eligible for Septic Repair Loan. The lender will determine income eligibility for the Septic Repair Loan at time of initial application. Owners with incomes beyond the established limits are not eligible to participate in this program.

Income Verification

Salaried Employee: Lender must obtain the borrower's IRS W-2 forms, for last 2 years and current paystub with year-to-date figures; calculate monthly income based on year-to-date figure to annualize. Lender should question variances from prior year. Self Employed: 2 years signed federal income tax returns with all applicable schedules; a year-to-date profit and loss statement if at time of application more than 120 days have elapsed from the end of the tax year.

Income Limits

Income limits do apply to all borrowers accessing the program. See Appendix A for Income Guidelines.

Homeowner Septic Repair Loan Program: Part I - Section 2

Debt-to-Income Ratio

The maximum debt-to-income ratio permitted is 50% of the borrower's gross income including the septic loan.

Credit

Loans will be written in accordance with Lenders internal prudent and reasonable credit guidelines. FHA standards are acceptable.

Eligible Activities

All costs associated with the upgrade of a failed sewage disposal system within the meaning of Title 5 including connecting homes to an available sewer.

Eligible Properties

Financing is available for single family homes, 2-4 family homes and condominiums. Loans to condominium associations with common septic systems are eligible under this program.

Ineligible Activities

Reimbursements for repairs completed prior to loan closing are ineligible.

Appraisals

No appraisal of the property is required.

Lien Position

Property must have a clear, marketable title.

Loan Amount

Loan size may range from \$1,000 to \$25,000. Minimum monthly payment must equal \$27.

Homeowner Septic Repair Loan Program: Part I - Section 2

Loan Terms

Loans are fully amortizing* at an interest rate of 0%, 3%, or 5% depending on household income (See Appendix A). All loans are due in full upon sale, transfer or refinancing of the first mortgage.

Loans may be paid in full at any time with no penalty.

Payment of loans may not be assumed by third parties, whether incident to sale or otherwise.

Refinancing of the first mortgage will require payoff of the Septic Repair Loan. All mortgages secured by subject property must be current.

Maximum loan terms range from 3/20 years depending on size

\$1,000-\$3,000	3 years
\$3,001-\$5,000	5 years
\$5,001-\$10,000	10 years
\$10,001-\$15,000	15 years
\$15,001-\$25,000	20 years

*Loans to borrowers qualified for 0% interest with debt-to-income ratios greater than 50% will be eligible for a 0% non-amortizing loan. These loans are due in full upon sale, transfer or refinancing of the first mortgage. Very low income households with considerable equity may also qualify for a deferred loan on a case-by-case basis.

Insurance Requirement

Property securing each loan must be covered by hazard insurance including fire and extended coverage insurance. When applicable, each loan must be covered by flood insurance.

Loan-to-Value

Loan-to-value ratios do not apply to this program. Loans are credit based, and not dependent upon equity in the home.

Security

All Septic Repair Loans are secured by a recorded mortgage.

Homeowner Septic Repair Loan Program: Part I - Section 2

Fees

There are no program fees charged to the borrower for the Septic Repair Loan. Recording, credit report charges, attorney and title search fees will be paid for by the borrower (may be mortgaged).

The Lender will be paid a fee of \$500 for each upgrade of a failed septic system to meet Title 5 requirements, financed by the Lender, pursuant to the terms of this program. This fee will be paid by MHFA upon the purchase of the Septic Repair Loan.

Escrow Account

At loan closing, the Lender will establish an escrow account with the loan proceeds which will be disbursed upon an agreed upon schedule to the contractor based upon work completed and submission by the contractor of paid receipts.

Disbursement Schedule

No schedule has been set. Lender may adhere to normal commercial practices for release of escrowed funds. A holdback of 10% is required and released upon receipt of a Certificate of Compliance from the Local Board of Health. The originating Lender or its agent is responsible for administering the escrow and for submission of the Certificate to MHFA within 90 days from date of purchase. Failure to complete the repairs and/or submit the Certificate to MHFA will be grounds for default and the Agency may call the loan.

Loan Delivery Period (See Table Funding Procedures)

All Septic Repair post closing document packages must be delivered to the Agency within 15 days from the date of the loan closing. All loan packages must be sent to:

Massachusetts Housing Finance Agency
Home Ownership/Purchasing Department
One Beacon Street
Boston, MA 02108

Homeowner Septic Repair Loan Program: Part I - Section 2

Servicing

MHFA will service Septic Repair loans. Questions regarding servicing and loan payment should be directed to MHFA's Servicing Department.

Role of the Local Board of Health

The Local Board of Health issues the Subsurface Sewage Disposal System Inspection Form which indicates a septic system failure; the Contractor's Disposal System Installer's Permit; approves the plans and specifications for repair by issuing a Disposal System Construction Permit; and issues a Certificate of Compliance upon completion of septic system repairs.

Role of the Lender

Receives loan application

Determines income eligibility of a borrower for the Septic Repair Loan by assisting the borrower in completing a Borrower's Affidavit (SL Form #200).

Underwrites, processes and closes the Septic Repair Loan, (may be done by Lender's Agent) upon receipt of the Subsurface Disposal System Inspection Form which includes plans approved by the Local Board of Health and a copy of the Disposal System Construction Permit.

Sets up an escrow account to fund the repair work (may be done by Lender's Agent).

Establishes an agreed upon disbursement schedule.

Submits the Loan package to MHFA for purchase.

Disburses funds for work completed (may be done by Lender's Agent).

Receives a Certificate of Compliance issued by the Board of Health from the borrower indicating that the system has been upgraded or connected to a public sewer and meets the requirements of Title V. Submits a copy of the Certificate to MHFA.

Homeowner Septic Repair Loan Program: Part I - Section 2

Receives a \$500 origination fee upon purchase by MHFA of the Septic Repair Loan.

Loan Reservation Procedures

RESERVING MHFA FUNDS -- describes in detail the Reservation System which must be utilized by Mortgage Lenders to access Agency Mortgage financing. Funds for all programs are accessed on a first-come, first-served basis with strict deadlines for delivery of Eligible Mortgage Loans to the Agency for purchase.

Funds Availability

The Agency has funds available on a continuous basis.

Reservation System

Effective April 1, 2003, reservations for MassHousing funds will be made via the internet, at the following address: www.emasshousing.com.

The MassHousing reservation system is a business to business extranet that facilitates electronic transactions between MassHousing and its lending partners over the internet. In its current configuration, the system is designed for use by lending institutions that are approved sellers or servicers of MassHousing.

In order to access the system, a lender must register online. Once access is granted, training will be available to the lender both online and in person by contacting their Training and Marketing Representative at MassHousing.

Reservation Timeframe

The total time frame for a Mortgage Lender to reserve funds, process, close and deliver an Eligible Mortgage Loan to MHFA is 90 days. Day one (1) is the date the reservation is registered. Loan reservations which remain in our system for more than 90 days for existing properties will be withdrawn automatically.

Reservation Withdrawals

Once a reservation has been withdrawn, the funds return to the pool of available funds and can be accessed by any participating Mortgage Lender.

Interest Rates

Loans are fully amortizing at interest rates of 0%, 3%, or 5%, depending on household income. All MassHousing current rates are posted via the internet at www.emasshousing.com. Lenders may also call the rate line (617) 854-1015 to obtain current rate information.

Homeowner Septic Repair Loan Program: Part I - Section 2

Role of MHFA

All Septic Repair loans meeting program requirements will be purchased by MHFA. MHFA will confirm that such loans have been properly recorded and that the borrowers are income eligible. MHFA will issue a check for \$500 to originating lenders, and will service all Septic Repair Loans.

Right of Recision

The Agency will not purchase a loan when the Right of Recision has been waived.

Documents Required

Borrower's Affidavit (SL-200)
Uniform Mortgage Rider (SL-300)
Zero Percent Deferred Payment Loan Mortgage Rider (if applicable)(SL-400)
Note Zero % Interest Deferred: (SL-700)
Loan Processing Worksheet - (SL-1000)
MHFA Post Closing Documents Checklist (SL-1001)
Uniform Residential Loan Application (FNMA 1003)
Subsurface Sewage Disposal System Inspection Form
Disposal System Construction Permit
Construction Contract
Disposal System Installer's Permit
Certificate of Compliance Right of Recision Notice
Mortgage with MERS Language

TABLE FUNDING PROCEDURES

SECOND MORTGAGE PROGRAMS

- I. Disbursements for owner occupied properties must accommodate the 3 day right of rescission period.
- II. Inform the Agency as soon as a cancellation occurs. If funds are wired for a canceled loan closing, said funds are to be wired back to the Agency within 24 hours. Funds not returned within 24 hours will be subject to finance charges assessed to the Lender.
- III. Settlement Closing Packages are due to the Agency no later than 5 business days after loan funding. A late delivery fee (Wall Street Journal Prime Rate plus 300 basis points) will be assessed daily.
- IV. Post closing documents are due to the Agency no later than 15 business days after loan closing.

MassHousing Homeowner Septic Repair Loan Program FORMS

Forms for the Homeowner

Form #SL-200	Borrower Affidavit
Form #SL-300	Uniform Mortgage Rider
Form #SL-400	Mortgage Rider – Zero Percent Deferred Payment
Form #SL-700	Zero Interest Deferred Payment – Note
Form #SL-1000	Loan Processing Worksheet
Form #SL-1001	MHFA Post Closing Documents Checklist
Appendix A	Income Limits List of Cities and Towns

Forms for Condominium Associations

Form #SL-2001	Submission Checklist
Form #SL-2002	Loan Submission Certificate
Form #SL-2400	Security Agreement and Assignment of Income – All Loans
Form #SL-2500	Exhibit A to Financing Statement – All Loans
Form #SL-2700	Certificate – All Loans
Form #SL-2800	Note-All Loans
Form #SL-2900	Assignment of Security Instrument
Vote of Trustees [Managers]	

**HOMEOWNER SEPTIC REPAIR LOAN PROGRAM
BORROWER AFFIDAVIT**

MHFA

Form #SL-200

I (We) _____ and _____

as owner(s) of a Residence located at _____ in the

City/Town of _____ within the Commonwealth of

Massachusetts do hereby represent and warrant as follows:

1. The information in my (our) Homeowner Septic Repair Loan Application is true, accurate and complete.
2. (I/We) certify that (my/our) Gross Annual Household Income is \$ _____ as calculated on Line 5 of the attached Gross Annual Household Income Worksheet.
3. The proceeds of the Loan will be used only for upgrade of a subsurface septic system or connection to a public sewer system for failed systems only to meet the requirements of Title 5.
4. I am an owner-occupant of the above named property.
5. (I/We) understand that if (I/we) have made any material misstatements in the Homeowner Septic Repair Loan Application or in the foregoing representations or have omitted to state any of the information requested this will be considered an event of default and the outstanding principal balance of the Loan may be declared immediately due and payable.
6. The Borrower agrees to release, hold harmless and indemnify MHFA from any claim, loss, demand judgment, or expense directly or indirectly resulting from, arising out of, or related to the Homeowner Septic Repair Program due to MHFA's consideration, approval or disapproval of a Loan for repair of a subsurface septic system, or connection to a public sewer system, to meet the requirements of Title 5.
7. (I/We) declare under penalty of perjury that the foregoing representations are true and correct.

Borrower's Signature

Date

Borrower's Signature

Date

**HOMEOWNER SEPTIC REPAIR LOAN PROGRAM
BORROWER AFFIDAVIT**

MHFA

Form #SL-200

GROSS ANNUAL HOUSEHOLD INCOME WORKSHEET

The purpose of the Gross Annual Household Income limit requirement is solely to establish the Borrower's eligibility for a Loan under the Homeowner Septic Repair Loan Program and it is not required to be used for purposes of credit evaluation by the Mortgage Lender. Since the Agency's Program is considered a Special Credit Program under Regulation B of the Equal Credit Opportunity Act, and Section 8 of the Massachusetts Commission Against Discrimination Regulations, Mortgage Lenders are required to seek the income information necessary to determine if the Borrower's household income is within the Agency's income limits.

Calculation of Gross Annual Household Income: Number of Persons in Household _____

- A. Borrower(s) Gross Monthly Income (see Notes (a) and (b) below) \$ _____
- B. Co-Borrower(s) Gross Monthly Income (if any) (See notes (b) and (c) below) \$ _____
- C. Total of A and B above \$ _____
- D. Multiply C above by 12 \$ _____
- E. Total Gross Annual Household Income \$ _____

- A. List the current monthly gross income of the Borrowers and multiply by 12.

- B. Gross monthly income is the sum of monthly gross pay and any additional income from any source, both taxable income and non-taxable income, including but not limited to earnings, overtime, part-time employment, bonuses, dividends, interest, annuities, pensions, Veterans Administration (VA) Compensation, gross rental or lease income, commissions, deferred income, welfare payments, social security benefits, disability payments, alimony, support payments, public assistance, sick pay, unemployment compensation, and income received from trusts, business activities and investments.

- C. Borrower and Co-Borrower do not include persons who co-sign a Loan, provided such persons do not live in the Residence to be financed by the Loan.

**HOMEOWNER SEPTIC REPAIR LOAN
UNIFORM MORTGAGE RIDER**

MHFA

Form #SL-300

NOTICE TO BORROWER:

THIS RIDER ADDS SUBSTANTIALLY TO THE TERMS OF THE MORTGAGE. DO NOT SIGN IT UNTIL YOU READ AND UNDERSTAND IT.

This Mortgage rider is made this _____ day of _____, 20__ and is incorporated into and amends and supplements a Mortgage dated of even date herewith, given by _____ (herein the "Borrower") to secure Borrower's Note to _____ (herein the "Lender"), and covering the Property described in the Mortgage and located at _____. The Borrower acknowledges that the Mortgage and Note are expected to be assigned to the Massachusetts Housing Finance Agency (herein the "Agency").

1. The Borrower acknowledges and agrees that the Mortgage is being made in conformity with the requirements without limitation of Chapter 708 of the Acts of 1966 of the Commonwealth of Massachusetts, as amended, and the regulations adopted pursuant thereto, and the procedures and regulations promulgated thereunder which shall include the Program Manual of the Agency (herein the "Requirements"). In the event that the Borrower has misrepresented or omitted a material fact in the loan application of the Borrower, or other documents submitted in support thereof, or does not comply with the requirements of the loan commitment to the Borrower, the Mortgage, or the Note which it secured, the Agency may not be in compliance with the foregoing Requirements.

2. Borrower further acknowledges that the Homeowner Septic Repair Program of the Agency provides, among other things, that the property will be the principal residence of the Borrower. In consideration of the grant of this loan to Borrower, the Requirements, and to prevent waste impairment or deterioration of the Property secured by this Mortgage, Borrower agrees and undertakes that for so long as this Mortgage is in force and effect and has not been discharged, Borrower shall occupy the subject premises as Borrower's principal residence. Furthermore, Borrower shall not sell, convey or transfer the property, or any part thereof or interest therein on terms or under circumstances without the Lenders prior consent.

3. Borrower further acknowledges and agrees that the granting of the loan secured by the Mortgage and the interest rate in the Note are contingent upon the inclusion of this Uniform Mortgage Rider in the Mortgage and, that in the absence of the provisions contained herein, the Lender would not be able to grant the loan to Borrower on the terms and conditions set forth and upon the interest rate established for the loan.

**HOMEOWNER SEPTIC REPAIR LOAN
UNIFORM MORTGAGE RIDER**

MHFA

Form #SL-300

Borrower acknowledges and agrees that the terms and provisions of the Uniform Mortgage Rider are reasonable under all the circumstances, do not unreasonably impair or restrict Borrower's rights and do not constitute an unreasonable restraint on alienation of the property either at the time of execution of the Mortgage or at any subsequent time. Borrower further waives and relinquishes any and all claim, assertion or defense to the enforcement of this paragraph based on any claim that the conditions set forth herein constitute an unreasonable restraint on alienation of the subject premises.

Borrower acknowledges and agrees that the terms herein are necessary to protect Lender against impairment or deterioration in its security and against the risk of default.

4. In recognition of the foregoing, and as a condition to the making of the Loan, the Borrower covenants and agrees that the Lender, or the Agency as the assignee of the Lender, may declare all sums secured by the Mortgage to be immediately due and payable upon the occurrence of any of the following:

- a. If all or any part of the Property or an interest therein is sold or transferred by Borrower without Lender's or Agency's prior written consent, excluding (a) the creation of a lien or encumbrance subordinate to the Mortgage, (b) the creation of a purchase-money security interest for household appliances, or (c) a transfer by devise, descent or by operation of law upon the death of a joint tenant, or
- b. If Borrower does not continuously occupy the Property as Borrower's principal residence throughout the term of the Mortgage, or
- c. If the Borrower fails to supply any information or document to the Lender or the Agency within ten (10) days after written request therefore provided such information or document has been requested in order to verify whether or not the Mortgage complies with the Requirements and such other conditions of the Agency's Homeowner Septic Repair Loan Program under which this Mortgage is being financed.

5. The Borrower acknowledges that the Lender and the Agency have relied upon the information, statements and representations contained in the loan application, the Borrower's Affidavit and other documents submitted in support of the loan application, in the processing, financing and granting of the Mortgage and in determining that the requirements will be met. The Borrower represents that the information, statements and representations contained within

**HOMEOWNER SEPTIC REPAIR LOAN
UNIFORM MORTGAGE RIDER**

MHFA

Form #SL-300

the loan application, the Borrower's Affidavit and said other documents are true and complete as of the date hereof and that there have been no material adverse changes therein. The loan application, the Borrower's Affidavit and all other documents submitted in support of the loan application are incorporated herein and made a part hereof. Any misstatement or omission of a material fact in such documents will constitute a default under the Mortgage, and the Note which it secures, and may result in the Lender's or the Agency's declaring all sums secured by the Mortgage to be immediately due and payable. The Borrower agrees to hold the Lender and the Agency harmless from any loss, cost or damages, actions or claims arising out of or related to a misstatement or omission of a material fact in the above described documents.

6. In the event of any conflict between the provisions hereof and the provisions of the Mortgage, or the Note which it secures, the provisions of this Uniform Mortgage Rider shall control.

7. The term Borrower used herein shall include any reference to Mortgagor, Grantor, Debtor, or any party so described and defined in the mortgage loan documents. The term Lender used herein shall include any reference to Mortgagee, Grantee, Creditor, or any party so described in the mortgage loan documents.

Borrower's Signature

Borrower's Signature

**HOMEOWNER SEPTIC REPAIR LOAN
UNIFORM MORTGAGE RIDER**

MHFA

Form #SL-300

COMMONWEALTH OF MASSACHUSETTS

_____, SS. _____

On this _____ day of _____, before me, the undersigned notary public, personally appeared _____ proved to me through satisfactory evidence of identification, which was _____ to be the person whose name is signed on the preceding or attached document, and acknowledged to me that it is his/her free act and deed and that he/she signed it voluntarily for its stated purpose.

Notary Public:
My commission expires:

**HOMEOWNER SEPTIC REPAIR LOAN
MORTGAGE RIDER
ZERO PERCENT DEFERRED PAYMENT**

MHFA

Form #SL-400

COMMONWEALTH OF MASSACHUSETTS

_____, SS. _____

On this _____ day of _____, before me, the undersigned notary public, personally appeared _____ proved to me through satisfactory evidence of identification, which was _____ to be the person whose name is signed on the preceding or attached document, and acknowledged to me that it is his/her free act and deed and that he/she signed it voluntarily for its stated purpose.

Notary Public:
My commission expires:

**HOMEOWNER SEPTIC REPAIR LOAN
ZERO INTEREST DEFERRED PAYMENT
NOTE**

MHFA

Form #SL-700

_____, 20____, _____, Massachusetts
(City or Town)

(Property Address)

1. BORROWER'S PROMISE TO PAY

In return for a loan that I, the person or persons signing this Note (the "Borrower"), received, I promise to pay U.S. \$_____ (this amount is called "principal"), to the order of the Lender. The Lender is _____ . I understand that the Lender may transfer this Note. The Lender or anyone who takes this Note by transfer and who is entitled to receive payment under this Note is called "Note Holder".

2. INTEREST

No interest will be charged on unpaid principal.

3. PAYMENTS

Time and Place of Payments

I will pay principal only when title to the Property which secures this Note is conveyed or otherwise transferred or if I am in default under this Note.

I will make my payment at _____ or at a different place if required by the Note Holder.

4. BORROWER'S RIGHT TO PREPAY

I have the right to make payments of principal at any time before they are due. A payment of principal only is known as a "prepayment". When I make a prepayment, I will tell the Note Holder in writing that I am doing so.

I may make a full prepayment or partial prepayments without paying any prepayment charge. The Note Holder will use all of my prepayments to reduce the amount of principal that I owe under this Note.

MIN# _____

**HOMEOWNER SEPTIC REPAIR LOAN
ZERO INTEREST DEFERRED PAYMENT
NOTE**

MHFA

Form SL-700

5. LOAN CHARGES

If a law, which applies to this loan and which sets maximum loan charges, is finally interpreted so that interest or other loan charges collected or to be collected in connection with this loan exceed the permitted limits, then: (i) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (ii) any sums already collected from me which exceeded permitted limits will be refunded to me. The Note Holder may choose to make this refund by reducing the principal I owe under this Note or by making a direct payment to me. If a refund reduces principal, the reduction will be treated as a partial prepayment.

6. BORROWER'S FAILURE TO PAY AS REQUIRED

(A) Default

If I do not pay the full amount due upon sale, transfer or refinance of the property, I will be in default.

(B) Notice of Default

If I am in default, the Note Holder may send me a written notice telling me that if I do not pay the overdue amount by a certain date, the Note Holder may require me to pay immediately the full amount of principal which has not been paid. That date must be at least 30 days after the date on which the notice is delivered or mailed to me.

(C) No Waiver by Note Holder

Even if, at a time when I am in default, the Note Holder does not require me to pay immediately in full as described above, the Note Holder will still have the right to do so if I am in default at a later time.

(D) Payment of Note Holder's Costs and Expenses

If the Note Holder has required me to pay immediately in full as described above, the Note Holder will have the right to be paid back by me for all of its costs and expenses in enforcing this Note to this extent not prohibited by applicable law. Those expenses include, for example, reasonable attorneys' fees.

7. GIVING OF NOTICE

Unless applicable law requires a different method, any notice that must be given to me under this Note will be given by delivering it or by mailing it by first class mail to me at the property address above or at a different address if I give the Note Holder a notice of my different address.

Any notice that must be given to the Note Holder under this Note will be given by mailing it by first class mail to the Note Holder at the address stated in Section 3(A) above or at a different address if I am given a notice of that different address.

**HOMEOWNER SEPTIC REPAIR LOAN
ZERO INTEREST DEFERRED PAYMENT
NOTE**

MHFA

Form SL-700

8. OBLIGATIONS OF PERSONS UNDER THIS NOTE

If more than one person signs this Note, each person is fully and personally obligated to keep all of the promises made in this Note, including the promise to pay the full amount owed. Any person who is a guarantor, surety or endorser of this Note is also obligated to do these things. Any person who takes over these obligations, including the obligations of a guarantor, surety or endorser of this Note, is also obligated to keep all of the promises made in this Note. The Note Holder may enforce its rights under this Note against each person individually or against all of us together. This means that any one of us may be required to pay all of the amount owed under this Note.

9. WAIVERS

I and any other person who has obligations under this Note waive the rights of presentment and notice of dishonor. "Presentment" means the right to require the Note Holder to demand payment of amounts due. "Notice of Dishonor" means the right to require the Note Holder to give notice to other persons that amounts due have not been paid.

10. UNIFORM SECURED NOTE

This Note is a uniform instrument with limited variations in some jurisdictions. In addition to the protection given to the Note Holder under this Note, a Mortgage, Deed of Trust or Security Deed (the "Security Instrument"), dated the same date as this Note, protects the Note Holder from possible losses which might result if I do not keep the promises which I make in this Note. That Security Instrument describes how and under what conditions I may be required to make immediate payment in full of all amounts I owe under this Note. Some of those conditions are described as follows:

Transfer of the Property or a Beneficial Interest of Borrower. If all or any part of the Property or any interest in it is sold or transferred (or if a beneficial interest in Borrower is sold or transferred and Borrower is not a natural person) without Lender's prior written consent, Lender may require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if exercise is prohibited by federal law as of the date of this Security Instrument.

If Lender exercises this option, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is delivered or mailed within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

**HOMEOWNER SEPTIC REPAIR LOAN
ZERO INTEREST DEFERRED PAYMENT
NOTE**

MHFA

Form SL-700

Witness the hand(s) and seal(s) of the undersigned.

Witness

(Borrower's Signature)

(Typed name of Borrower)

Witness

(Borrower's Signature)

(Typed name of Borrower)

COMMONWEALTH OF MASSACHUSETTS

_____, ss. _____

On this _____ day of _____, before me, the undersigned notary public, personally appeared _____ proved to me through satisfactory evidence of identification, which was _____ to be the person whose name is signed on the preceding or attached document, and acknowledged to me that it is his/her free act and deed and that he/she signed it voluntarily for its stated purpose.

Notary Public:
My commission expires:

HOMEOWNER SEPTIC REPAIR LOAN PROGRAM LOAN PROCESSING WORKSHEET

MHFA

Form #SL-1000

Mortgage Lender:

Borrower: _____ Property Address:

Co-Borrower:

Number of Units: (check one) Single Family 2 Family 3 Family 4 Family

Underwriting Information	Mortgage Lender
1. Income--Program Eligibility Total gross annual Borrower(s) income	
2. Income--Underwriting	
a. Borrower's gross stable monthly income	
b. Co-borrower's gross stable monthly income	
c. Total income for underwriting purposes	
3. Monthly Debt Payments	
a. Principal, Interest, Taxes, Insurance and Septic Repair Loan	
b. Monthly payments on loans with a remaining term of more than 10 months	
c. Revolving debt, 5% of outstanding balance	
d. Total monthly debt obligations (a+b+c)	
4. Underwriting Ratios	
a. Maximum debt-service cannot exceed 50% of gross income	
5. Septic Repair Information (1-4 Family)	
a. Estimated/actual cost of Septic Repair	
b. Total Loan Amount	

Mortgage Lender

Name of Mortgage Officer/Representative Completing this Report:

_____ Name

Date:

**HOMEOWNER SEPTIC REPAIR LOAN PROGRAM
MHFA POST CLOSING DOCUMENTS CHECKLIST**

MHFA

Form #SL-1001

POST CLOSING DOCUMENTS - SEPTIC REPAIR PROGRAM

Borrower:

Reservation #:

ORIGINAL NOTE
BORROWERS AFFIDAVIT (SL-200)
UNIFORM MORTGAGE RIDER(SL-300)
0% DEFERRED RIDER (IF APPLICABLE)(SL-400)
LOAN PROCESSING WORKSHEET (SL-1000)
RESCISSION NOTICE-FINAL
TRUTH IN LENDING
INSURANCE BINDER
FLOOD CERTIFICATE
COPY OF DEED
HUD SETTLEMENT STATEMENT
MORTGAGE WITH MERS LANGUAGE
CONSTRUCTION CONTRACT
SUBSURFACE SEWAGE DISPOSAL SYSTEM INSPECTION FORM
DISPOSAL SYSTEM CONSTRUCTION PERMIT
CONTRACTOR'S DISPOSAL SYSTEM INSTALLERS PERMIT
UNIFORM RESIDENTIAL LOAN APPLICATION (FNMA 1003)
CERTIFICATE OF TITLE
CREDIT REPORT
CURRENT REAL ESTATE TAX BILL
YEAR TO DATE PAY STUBS
MOST RECENT W- 2 FORM
MOST RECENT TWO YEARS SIGNED 1040S (WITH ALL SCHEDULES)
PROFIT AND LOSS STATEMENT (SELF-EMPLOYED)
LEASES OR RENTAL AGREEMENTS FOR PROPERTIES NOT
REFLECTED ON SCHEDULE E

**ALL OTHER SUPPORTING DOCUMENTATION USED IN
DETERMINING ELIGIBILITY AND CREDITWORTHINESS IS TO BE
INCLUDED IN THE POST CLOSING DOCUMENT PACKAGE.**

Please secure all documents in a file folder.

After recording please return to:

[Company Name]

[Name of Natural Person]

[Street Address]

[City, State Zip Code]

[Space Above This Line For Recording Data]

MORTGAGE

MIN:

DEFINITIONS

Words used in multiple sections of this document are defined below and other words are defined in Sections 3, 11, 13, 18, 20 and 21. Certain rules regarding the usage of words used in this document are also provided in Section 16.

(A) **“Security Instrument”** means this document, which is dated _____, together with all Riders to this document.

(B) **“Borrower”** is _____ . Borrower is the mortgagor under this Security Instrument.

(C) **“MERS”** is Mortgage Electronic Registration Systems, Inc. MERS is a separate corporation that is acting solely as a nominee for Lender and Lender’s successors and assigns. **MERS is the mortgagee under this Security Instrument.** MERS is organized and existing under the laws of Delaware, and has an address and telephone number of P.O. Box 2026, Flint, MI 48501-2026, tel. (888) 679-MERS.

(D) **“Lender”** is _____ .
Lender is a _____ organized and existing under the laws of _____ . Lender’s address is _____ .

(E) **“Note”** means the promissory note signed by Borrower and dated _____ .
The Note states that Borrower owes Lender _____ Dollars (U.S. \$ _____) plus interest. Borrower has promised to pay this debt in regular Periodic Payments and to pay the debt in full not later than _____ .

(F) **“Property”** means the property that is described below under the heading “Transfer of Rights in the Property.”

(G) **“Loan”** means the debt evidenced by the Note, plus interest, any prepayment charges and late charges due under the Note, and all sums due under this Security Instrument, plus interest.

(H) **“Riders”** means all Riders to this Security Instrument that are executed by Borrower. The following Riders are to be executed by Borrower *[check box as applicable]*:

- | | | |
|--|---|---|
| <input type="checkbox"/> Adjustable Rate Rider | <input type="checkbox"/> Condominium Rider | <input type="checkbox"/> Second Home Rider |
| <input type="checkbox"/> Balloon Rider | <input type="checkbox"/> Planned Unit Development Rider | <input type="checkbox"/> Biweekly Payment Rider |
| <input type="checkbox"/> 1-4 Family Rider | <input type="checkbox"/> Revocable Trust Rider | |
| <input type="checkbox"/> Other(s) <i>[specify]</i> | | |

(I) **“Applicable Law”** means all controlling applicable federal, state and local statutes, regulations, ordinances and administrative rules and orders (that have the effect of law) as well as all applicable final, non-appealable judicial opinions.

(J) **“Community Association Dues, Fees, and Assessments”** means all dues, fees, assessments and other charges that are imposed on Borrower or the Property by a condominium association, homeowners association or similar organization.

(K) **“Electronic Funds Transfer”** means any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, which is initiated through an electronic terminal, telephonic instrument, computer, or magnetic tape so as to order, instruct, or authorize a financial institution to debit or credit an account. Such term includes, but is not limited to, point-of-sale transfers, automated teller machine transactions, transfers initiated by telephone, wire transfers, and automated clearinghouse transfers.

(L) **“Escrow Items”** means those items that are described in Section 3.

(M) **“Miscellaneous Proceeds”** means any compensation, settlement, award of damages, or proceeds paid by any third party (other than insurance proceeds paid under the coverages described in Section 5) for: (i) damage to, or destruction of, the Property; (ii) condemnation or other taking of all or any part of the Property; (iii) conveyance in lieu of condemnation; or (iv) misrepresentations of, or omissions as to, the value and/or condition of the Property.

(N) **“Mortgage Insurance”** means insurance protecting Lender against the nonpayment of, or default on, the Loan.

(O) **“Periodic Payment”** means the regularly scheduled amount due for (i) principal and interest under the Note, plus (ii) any amounts under Section 3 of this Security Instrument.

(P) **“RESPA”** means the Real Estate Settlement Procedures Act (12 U.S.C. §2601 et seq.) and its implementing regulation, Regulation X (24 C.F.R. Part 3500), as they might be amended from time to time, or any additional or successor legislation or regulation that governs the same subject matter. As used in this Security Instrument, “RESPA” refers to all requirements and restrictions that are imposed in regard to a “federally related mortgage loan” even if the Loan does not qualify as a “federally related mortgage loan” under RESPA.

(Q) **“Successor in Interest of Borrower”** means any party that has taken title to the Property, whether or not that party has assumed Borrower’s obligations under the Note and/or this Security Instrument.

TRANSFER OF RIGHTS IN THE PROPERTY

This Security Instrument secures to Lender: (i) the repayment of the Loan, and all renewals, extensions and modifications of the Note; and (ii) the performance of Borrower’s covenants and agreements under this Security Instrument and the Note. For this purpose, Borrower does hereby mortgage, grant and convey to MERS (solely as nominee for Lender and Lender’s successors and assigns) and to the successors and assigns of MERS, with power of sale, the following described property located in the

[Type of Recording Jurisdiction] of [Name of Recording Jurisdiction] :

which currently has the address of

[City] [Street] , Massachusetts (“Property Address”):
[City] [Zip Code]

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, appurtenances, and fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Security Instrument. All of the foregoing is referred to in this Security Instrument as the “Property.” Borrower understands and agrees that MERS holds only legal title to the interests granted by Borrower in this Security Instrument, but, if necessary to comply with law or custom, MERS (as nominee for Lender and Lender’s successors and assigns) has the right: to exercise any or all of those interests, including, but not limited to, the right to foreclose and sell the Property; and to take any action required of Lender including, but not limited to, releasing and canceling this Security Instrument.

BORROWER COVENANTS that Borrower is lawfully seised of the estate hereby conveyed and has the right to mortgage, grant and convey the Property and that the Property is unencumbered, except for encumbrances of record. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to any encumbrances of record.

THIS SECURITY INSTRUMENT combines uniform covenants for national use and non-uniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property.

UNIFORM COVENANTS. Borrower and Lender covenant and agree as follows:

1. Payment of Principal, Interest, Escrow Items, Prepayment Charges, and Late Charges.

Borrower shall pay when due the principal of, and interest on, the debt evidenced by the Note and any prepayment charges and late charges due under the Note. Borrower shall also pay funds for Escrow Items pursuant to Section 3. Payments due under the Note and this Security Instrument shall be made in U.S. currency. However, if any check or other instrument received by Lender as payment under the Note or this Security Instrument is returned to Lender unpaid, Lender may require that any or all subsequent payments due under the Note and this Security Instrument be made in one or more of the following forms, as selected by Lender: (a) cash; (b) money order; (c) certified check,



bank check, treasurer's check or cashier's check, provided any such check is drawn upon an institution whose deposits are insured by a federal agency, instrumentality, or entity; or (d) Electronic Funds Transfer.

Payments are deemed received by Lender when received at the location designated in the Note or at such other location as may be designated by Lender in accordance with the notice provisions in Section 15. Lender may return any payment or partial payment if the payment or partial payments are insufficient to bring the Loan current. Lender may accept any payment or partial payment insufficient to bring the Loan current, without waiver of any rights hereunder or prejudice to its rights to refuse such payment or partial payments in the future, but Lender is not obligated to apply such payments at the time such payments are accepted. If each Periodic Payment is applied as of its scheduled due date, then Lender need not pay interest on unapplied funds. Lender may hold such unapplied funds until Borrower makes payment to bring the Loan current. If Borrower does not do so within a reasonable period of time, Lender shall either apply such funds or return them to Borrower. If not applied earlier, such funds will be applied to the outstanding principal balance under the Note immediately prior to foreclosure. No offset or claim which Borrower might have now or in the future against Lender shall relieve Borrower from making payments due under the Note and this Security Instrument or performing the covenants and agreements secured by this Security Instrument.

2. Application of Payments or Proceeds. Except as otherwise described in this Section 2, all payments accepted and applied by Lender shall be applied in the following order of priority: (a) interest due under the Note; (b) principal due under the Note; (c) amounts due under Section 3. Such payments shall be applied to each Periodic Payment in the order in which it became due. Any remaining amounts shall be applied first to late charges, second to any other amounts due under this Security Instrument, and then to reduce the principal balance of the Note.

If Lender receives a payment from Borrower for a delinquent Periodic Payment which includes a sufficient amount to pay any late charge due, the payment may be applied to the delinquent payment and the late charge. If more than one Periodic Payment is outstanding, Lender may apply any payment received from Borrower to the repayment of the Periodic Payments if, and to the extent that, each payment can be paid in full. To the extent that any excess exists after the payment is applied to the full payment of one or more Periodic Payments, such excess may be applied to any late charges due. Voluntary prepayments shall be applied first to any prepayment charges and then as described in the Note.

Any application of payments, insurance proceeds, or Miscellaneous Proceeds to principal due under the Note shall not extend or postpone the due date, or change the amount, of the Periodic Payments.

3. Funds for Escrow Items. Borrower shall pay to Lender on the day Periodic Payments are due under the Note, until the Note is paid in full, a sum (the "Funds") to provide for payment of amounts due for: (a) taxes and assessments and other items which can attain priority over this Security Instrument as a lien or encumbrance on the Property; (b) leasehold payments or ground rents on the Property, if any; (c) premiums for any and all insurance required by Lender under Section 5; and (d) Mortgage Insurance premiums, if any, or any sums payable by Borrower to Lender in lieu of the payment of Mortgage Insurance premiums in accordance with the provisions of Section 10. These items are called "Escrow Items." At origination or at any time during the term of the Loan, Lender may require that Community Association Dues, Fees, and Assessments, if any, be escrowed by Borrower, and such dues, fees and assessments shall be an Escrow Item. Borrower shall promptly furnish to Lender all notices of amounts to be paid under this Section. Borrower shall pay Lender the Funds for Escrow Items unless Lender waives Borrower's obligation to pay the Funds for any or all Escrow Items. Lender may waive Borrower's obligation to pay to Lender Funds for any or all Escrow Items at any time. Any such waiver may only be in writing. In the event of such waiver, Borrower shall pay directly, when and where payable, the amounts due for any Escrow Items for which payment of Funds has been waived by Lender and, if Lender requires, shall furnish to Lender receipts evidencing such payment within such time period as Lender may require. Borrower's obligation to make such payments and to provide receipts shall for all purposes be deemed to be a covenant and agreement contained in this Security Instrument, as the phrase "covenant and agreement" is used in Section 9. If Borrower is obligated to pay Escrow Items directly, pursuant to a waiver, and Borrower fails to pay the amount due for an Escrow Item, Lender may exercise its rights under Section 9 and pay such amount and Borrower shall then be obligated under Section 9 to repay to Lender any such amount. Lender may revoke the waiver as to any or all Escrow Items at any time by a notice given in accordance with Section 15 and, upon such revocation, Borrower shall pay to Lender all Funds, and in such amounts, that are then required under this Section 3.

Lender may, at any time, collect and hold Funds in an amount (a) sufficient to permit Lender to apply the Funds at the time specified under RESPA, and (b) not to exceed the maximum amount a lender can require under RESPA. Lender shall estimate the amount of Funds due on the basis of current data and reasonable estimates of expenditures of future Escrow Items or otherwise in accordance with Applicable Law.

The Funds shall be held in an institution whose deposits are insured by a federal agency, instrumentality, or entity (including Lender, if Lender is an institution whose deposits are so insured) or in any Federal Home Loan Bank. Lender shall apply the Funds to pay the Escrow Items no later than the time specified under RESPA. Lender shall not charge Borrower for holding and applying the Funds, annually analyzing the escrow account, or verifying the Escrow Items, unless Lender pays Borrower interest on the Funds and Applicable Law permits Lender to make such a charge. Unless an agreement is made in writing or Applicable Law requires interest to be paid on the Funds, Lender shall not be required to pay Borrower any interest or earnings on the Funds. Borrower and Lender can agree in writing, however, that interest shall be paid on the Funds. Lender shall give to Borrower, without charge, an annual accounting of the Funds as required by RESPA.

If there is a surplus of Funds held in escrow, as defined under RESPA, Lender shall account to Borrower for the excess funds in accordance with RESPA. If there is a shortage of Funds held in escrow, as defined under RESPA, Lender shall notify Borrower as required by RESPA, and Borrower shall pay to Lender the amount necessary to make up the shortage in accordance with RESPA, but in no more than 12 monthly payments. If there is a deficiency of Funds held in escrow, as defined under RESPA, Lender shall notify Borrower as required by RESPA, and Borrower shall pay to Lender the amount necessary to make up the deficiency in accordance with RESPA, but in no more than 12 monthly payments.

Upon payment in full of all sums secured by this Security Instrument, Lender shall promptly refund to Borrower any Funds held by Lender.

4. Charges; Liens. Borrower shall pay all taxes, assessments, charges, fines, and impositions attributable to the Property which can attain priority over this Security Instrument, leasehold payments or ground rents on the Property, if any, and Community Association Dues, Fees, and Assessments, if any. To the extent that these items are Escrow Items, Borrower shall pay them in the manner provided in Section 3.

Borrower shall promptly discharge any lien which has priority over this Security Instrument unless Borrower: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender, but only so long as Borrower is performing such agreement; (b) contests the lien in good faith by, or defends against enforcement of the lien in, legal proceedings which in Lender's opinion operate to prevent the enforcement of the lien while those proceedings are pending, but only until such proceedings are concluded; or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Security Instrument. If Lender determines that any part of the Property is subject to a lien which can attain priority over this Security Instrument, Lender may give Borrower a notice identifying the lien. Within 10 days of the date on which that notice is given, Borrower shall satisfy the lien or take one or more of the actions set forth above in this Section 4.

Lender may require Borrower to pay a one-time charge for a real estate tax verification and/or reporting service used by Lender in connection with this Loan.

5. Property Insurance. Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire, hazards included within the term "extended coverage," and any other hazards including, but not limited to, earthquakes and floods, for which Lender requires insurance. This insurance shall be maintained in the amounts (including deductible levels) and for the periods that Lender requires. What Lender requires pursuant to the preceding sentences can change during the term of the Loan. The insurance carrier providing the insurance shall be chosen by Borrower subject to Lender's right to disapprove Borrower's choice, which right shall not be exercised unreasonably. Lender may require Borrower to pay, in connection with this Loan, either: (a) a one-time charge for flood zone determination, certification and tracking services; or (b) a one-time charge for flood zone determination and certification services and subsequent charges each time remappings or similar changes occur which reasonably might affect such determination or certification. Borrower shall also be responsible for the payment of any fees imposed by the Federal Emergency Management Agency in connection with the review of any flood zone determination resulting from an objection by Borrower.

If Borrower fails to maintain any of the coverages described above, Lender may obtain insurance coverage, at Lender's option and Borrower's expense. Lender is under no obligation to purchase any particular type or amount of coverage. Therefore, such coverage shall cover Lender, but might or might not protect Borrower, Borrower's equity in the Property, or the contents of the Property, against any risk, hazard or liability and might provide greater or lesser coverage than was previously in effect. Borrower acknowledges that the cost of the insurance coverage so obtained might significantly exceed the cost of insurance that Borrower could have obtained. Any amounts disbursed by Lender under this Section 5 shall become additional debt of Borrower secured by this Security Instrument. These amounts shall bear interest at the Note rate from the date of disbursement and shall be payable, with such interest, upon notice from Lender to Borrower requesting payment.

All insurance policies required by Lender and renewals of such policies shall be subject to Lender's right to disapprove such policies, shall include a standard mortgage clause, and shall name Lender as mortgagee and/or as an additional loss payee. Lender shall have the right to hold the policies and renewal certificates. If Lender requires, Borrower shall promptly give to Lender all receipts of paid premiums and renewal notices. If Borrower obtains any form of insurance coverage, not otherwise required by Lender, for damage to, or destruction of, the Property, such policy shall include a standard mortgage clause and shall name Lender as mortgagee and/or as an additional loss payee.

In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower. Unless Lender and Borrower otherwise agree in writing, any insurance proceeds, whether or not the underlying insurance was required by Lender, shall be applied to restoration or repair of the Property, if the restoration or repair is economically feasible and Lender's security is not lessened. During such repair and restoration period, Lender shall have the right to hold such insurance proceeds until Lender has had an opportunity to inspect such Property to ensure the work has been completed to Lender's satisfaction, provided that such inspection shall be undertaken promptly. Lender may disburse proceeds for the repairs and restoration in a single payment or in a series of progress payments as the work is completed. Unless an agreement is made in writing or Applicable Law requires interest to be paid on such insurance proceeds, Lender shall not be required to pay Borrower any interest or earnings on such proceeds. Fees for public adjusters, or other third parties, retained by Borrower shall not be paid out of the insurance proceeds and shall be the sole obligation of Borrower. If the restoration or repair is not economically feasible or Lender's security would be lessened, the insurance proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with the excess, if any, paid to Borrower. Such insurance proceeds shall be applied in the order provided for in Section 2.

If Borrower abandons the Property, Lender may file, negotiate and settle any available insurance claim and related matters. If Borrower does not respond within 30 days to a notice from Lender that the insurance carrier has offered to settle a claim, then Lender may negotiate and settle the claim. The 30-day period will begin when the notice is given. In either event, or if Lender acquires the Property under Section 22 or otherwise, Borrower hereby assigns to Lender (a) Borrower's rights to any insurance proceeds in an amount not to exceed the amounts unpaid under the Note or this Security Instrument, and (b) any other of Borrower's rights (other than the right to any refund of unearned premiums paid by Borrower) under all insurance policies covering the Property, insofar as such rights are applicable to the coverage of the Property. Lender may use the insurance proceeds either to repair or restore the Property or to pay amounts unpaid under the Note or this Security Instrument, whether or not then due.

6. Occupancy. Borrower shall occupy, establish, and use the Property as Borrower's principal residence within 60 days after the execution of this Security Instrument and shall continue to occupy the Property as Borrower's principal residence for at least one year after the date of occupancy, unless Lender otherwise agrees in writing, which consent shall not be unreasonably withheld, or unless extenuating circumstances exist which are beyond Borrower's control.

7. Preservation, Maintenance and Protection of the Property; Inspections. Borrower shall not destroy, damage or impair the Property, allow the Property to deteriorate or commit waste on the Property. Whether or not Borrower is residing in the Property, Borrower shall maintain the Property in order to prevent the Property from deteriorating or decreasing in value due to its condition. Unless it is determined pursuant to Section 5 that repair or restoration is not economically feasible, Borrower shall promptly repair the Property if damaged to avoid further deterioration or damage. If insurance or condemnation proceeds are paid in connection with damage to, or the taking of, the Property, Borrower shall be responsible for repairing or restoring the Property only if Lender has

released proceeds for such purposes. Lender may disburse proceeds for the repairs and restoration in a single payment or in a series of progress payments as the work is completed. If the insurance or condemnation proceeds are not sufficient to repair or restore the Property, Borrower is not relieved of Borrower's obligation for the completion of such repair or restoration.

Lender or its agent may make reasonable entries upon and inspections of the Property. If it has reasonable cause, Lender may inspect the interior of the improvements on the Property. Lender shall give Borrower notice at the time of or prior to such an interior inspection specifying such reasonable cause.

8. Borrower's Loan Application. Borrower shall be in default if, during the Loan application process, Borrower or any persons or entities acting at the direction of Borrower or with Borrower's knowledge or consent gave materially false, misleading, or inaccurate information or statements to Lender (or failed to provide Lender with material information) in connection with the Loan. Material representations include, but are not limited to, representations concerning Borrower's occupancy of the Property as Borrower's principal residence.

9. Protection of Lender's Interest in the Property and Rights Under this Security Instrument. If (a) Borrower fails to perform the covenants and agreements contained in this Security Instrument, (b) there is a legal proceeding that might significantly affect Lender's interest in the Property and/or rights under this Security Instrument (such as a proceeding in bankruptcy, probate, for condemnation or forfeiture, for enforcement of a lien which may attain priority over this Security Instrument or to enforce laws or regulations), or (c) Borrower has abandoned the Property, then Lender may do and pay for whatever is reasonable or appropriate to protect Lender's interest in the Property and rights under this Security Instrument, including protecting and/or assessing the value of the Property, and securing and/or repairing the Property. Lender's actions can include, but are not limited to: (a) paying any sums secured by a lien which has priority over this Security Instrument; (b) appearing in court; and (c) paying reasonable attorneys' fees to protect its interest in the Property and/or rights under this Security Instrument, including its secured position in a bankruptcy proceeding. Securing the Property includes, but is not limited to, entering the Property to make repairs, change locks, replace or board up doors and windows, drain water from pipes, eliminate building or other code violations or dangerous conditions, and have utilities turned on or off. Although Lender may take action under this Section 9, Lender does not have to do so and is not under any duty or obligation to do so. It is agreed that Lender incurs no liability for not taking any or all actions authorized under this Section 9.

Any amounts disbursed by Lender under this Section 9 shall become additional debt of Borrower secured by this Security Instrument. These amounts shall bear interest at the Note rate from the date of disbursement and shall be payable, with such interest, upon notice from Lender to Borrower requesting payment.

If this Security Instrument is on a leasehold, Borrower shall comply with all the provisions of the lease. If Borrower acquires fee title to the Property, the leasehold and the fee title shall not merge unless Lender agrees to the merger in writing.

10. Mortgage Insurance. If Lender required Mortgage Insurance as a condition of making the Loan, Borrower shall pay the premiums required to maintain the Mortgage Insurance in effect. If, for any reason, the Mortgage Insurance coverage required by Lender ceases to be available from the mortgage insurer that previously provided such insurance and Borrower was required to make separately designated payments toward the premiums for Mortgage Insurance, Borrower shall pay the premiums required to obtain coverage substantially equivalent to the Mortgage Insurance previously in effect, at a cost substantially equivalent to the cost to Borrower of the Mortgage Insurance previously in effect, from an alternate mortgage insurer selected by Lender. If substantially equivalent Mortgage Insurance coverage is not available, Borrower shall continue to pay to Lender the amount of the separately designated payments that were due when the insurance coverage ceased to be in effect. Lender will accept, use and retain these payments as a non-refundable loss reserve in lieu of Mortgage Insurance. Such loss reserve shall be non-refundable, notwithstanding the fact that the Loan is ultimately paid in full, and Lender shall not be required to pay Borrower any interest or earnings on such loss reserve. Lender can no longer require loss reserve payments if Mortgage Insurance coverage (in the amount and for the period that Lender requires) provided by an insurer selected by Lender again becomes available, is obtained, and Lender requires separately designated payments toward the premiums for Mortgage Insurance. If Lender required Mortgage Insurance as a condition of making the Loan and Borrower was required to make separately designated payments toward the premiums for Mortgage Insurance, Borrower shall pay the premiums required to maintain Mortgage Insurance in effect, or to provide a non-refundable

loss reserve, until Lender's requirement for Mortgage Insurance ends in accordance with any written agreement between Borrower and Lender providing for such termination or until termination is required by Applicable Law. Nothing in this Section 10 affects Borrower's obligation to pay interest at the rate provided in the Note.

Mortgage Insurance reimburses Lender (or any entity that purchases the Note) for certain losses it may incur if Borrower does not repay the Loan as agreed. Borrower is not a party to the Mortgage Insurance.

Mortgage insurers evaluate their total risk on all such insurance in force from time to time, and may enter into agreements with other parties that share or modify their risk, or reduce losses. These agreements are on terms and conditions that are satisfactory to the mortgage insurer and the other party (or parties) to these agreements. These agreements may require the mortgage insurer to make payments using any source of funds that the mortgage insurer may have available (which may include funds obtained from Mortgage Insurance premiums).

As a result of these agreements, Lender, any purchaser of the Note, another insurer, any reinsurer, any other entity, or any affiliate of any of the foregoing, may receive (directly or indirectly) amounts that derive from (or might be characterized as) a portion of Borrower's payments for Mortgage Insurance, in exchange for sharing or modifying the mortgage insurer's risk, or reducing losses. If such agreement provides that an affiliate of Lender takes a share of the insurer's risk in exchange for a share of the premiums paid to the insurer, the arrangement is often termed "captive reinsurance." Further:

(a) Any such agreements will not affect the amounts that Borrower has agreed to pay for Mortgage Insurance, or any other terms of the Loan. Such agreements will not increase the amount Borrower will owe for Mortgage Insurance, and they will not entitle Borrower to any refund.

(b) Any such agreements will not affect the rights Borrower has – if any – with respect to the Mortgage Insurance under the Homeowners Protection Act of 1998 or any other law. These rights may include the right to receive certain disclosures, to request and obtain cancellation of the Mortgage Insurance, to have the Mortgage Insurance terminated automatically, and/or to receive a refund of any Mortgage Insurance premiums that were unearned at the time of such cancellation or termination.

11. Assignment of Miscellaneous Proceeds; Forfeiture. All Miscellaneous Proceeds are hereby assigned to and shall be paid to Lender.

If the Property is damaged, such Miscellaneous Proceeds shall be applied to restoration or repair of the Property, if the restoration or repair is economically feasible and Lender's security is not lessened. During such repair and restoration period, Lender shall have the right to hold such Miscellaneous Proceeds until Lender has had an opportunity to inspect such Property to ensure the work has been completed to Lender's satisfaction, provided that such inspection shall be undertaken promptly. Lender may pay for the repairs and restoration in a single disbursement or in a series of progress payments as the work is completed. Unless an agreement is made in writing or Applicable Law requires interest to be paid on such Miscellaneous Proceeds, Lender shall not be required to pay Borrower any interest or earnings on such Miscellaneous Proceeds. If the restoration or repair is not economically feasible or Lender's security would be lessened, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with the excess, if any, paid to Borrower. Such Miscellaneous Proceeds shall be applied in the order provided for in Section 2.

In the event of a total taking, destruction, or loss in value of the Property, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with the excess, if any, paid to Borrower.

In the event of a partial taking, destruction, or loss in value of the Property in which the fair market value of the Property immediately before the partial taking, destruction, or loss in value is equal to or greater than the amount of the sums secured by this Security Instrument immediately before the partial taking, destruction, or loss in value, unless Borrower and Lender otherwise agree in writing, the sums secured by this Security Instrument shall be reduced by the amount of the Miscellaneous Proceeds multiplied by the following fraction: (a) the total amount of the sums secured immediately before the partial taking, destruction, or loss in value divided by (b) the fair market value of the Property immediately before the partial taking, destruction, or loss in value. Any balance shall be paid to Borrower.

In the event of a partial taking, destruction, or loss in value of the Property in which the fair market value of the Property immediately before the partial taking, destruction, or loss in value is less than the amount of the sums secured immediately before the partial taking, destruction, or loss in value, unless Borrower and Lender otherwise

agree in writing, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument whether or not the sums are then due.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the Opposing Party (as defined in the next sentence) offers to make an award to settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date the notice is given, Lender is authorized to collect and apply the Miscellaneous Proceeds either to restoration or repair of the Property or to the sums secured by this Security Instrument, whether or not then due. "Opposing Party" means the third party that owes Borrower Miscellaneous Proceeds or the party against whom Borrower has a right of action in regard to Miscellaneous Proceeds.

Borrower shall be in default if any action or proceeding, whether civil or criminal, is begun that, in Lender's judgment, could result in forfeiture of the Property or other material impairment of Lender's interest in the Property or rights under this Security Instrument. Borrower can cure such a default and, if acceleration has occurred, reinstate as provided in Section 19, by causing the action or proceeding to be dismissed with a ruling that, in Lender's judgment, precludes forfeiture of the Property or other material impairment of Lender's interest in the Property or rights under this Security Instrument. The proceeds of any award or claim for damages that are attributable to the impairment of Lender's interest in the Property are hereby assigned and shall be paid to Lender.

All Miscellaneous Proceeds that are not applied to restoration or repair of the Property shall be applied in the order provided for in Section 2.

12. Borrower Not Released; Forbearance By Lender Not a Waiver. Extension of the time for payment or modification of amortization of the sums secured by this Security Instrument granted by Lender to Borrower or any Successor in Interest of Borrower shall not operate to release the liability of Borrower or any Successors in Interest of Borrower. Lender shall not be required to commence proceedings against any Successor in Interest of Borrower or to refuse to extend time for payment or otherwise modify amortization of the sums secured by this Security Instrument by reason of any demand made by the original Borrower or any Successors in Interest of Borrower. Any forbearance by Lender in exercising any right or remedy including, without limitation, Lender's acceptance of payments from third persons, entities or Successors in Interest of Borrower or in amounts less than the amount then due, shall not be a waiver of or preclude the exercise of any right or remedy.

13. Joint and Several Liability; Co-signers; Successors and Assigns Bound. Borrower covenants and agrees that Borrower's obligations and liability shall be joint and several. However, any Borrower who co-signs this Security Instrument but does not execute the Note (a "co-signer"): (a) is co-signing this Security Instrument only to mortgage, grant and convey the co-signer's interest in the Property under the terms of this Security Instrument; (b) is not personally obligated to pay the sums secured by this Security Instrument; and (c) agrees that Lender and any other Borrower can agree to extend, modify, forbear or make any accommodations with regard to the terms of this Security Instrument or the Note without the co-signer's consent.

Subject to the provisions of Section 18, any Successor in Interest of Borrower who assumes Borrower's obligations under this Security Instrument in writing, and is approved by Lender, shall obtain all of Borrower's rights and benefits under this Security Instrument. Borrower shall not be released from Borrower's obligations and liability under this Security Instrument unless Lender agrees to such release in writing. The covenants and agreements of this Security Instrument shall bind (except as provided in Section 20) and benefit the successors and assigns of Lender.

14. Loan Charges. Lender may charge Borrower fees for services performed in connection with Borrower's default, for the purpose of protecting Lender's interest in the Property and rights under this Security Instrument, including, but not limited to, attorneys' fees, property inspection and valuation fees. In regard to any other fees, the absence of express authority in this Security Instrument to charge a specific fee to Borrower shall not be construed as a prohibition on the charging of such fee. Lender may not charge fees that are expressly prohibited by this Security Instrument or by Applicable Law.

If the Loan is subject to a law which sets maximum loan charges, and that law is finally interpreted so that the interest or other loan charges collected or to be collected in connection with the Loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected from Borrower which exceeded permitted limits will be refunded to Borrower. Lender may choose to make this refund by reducing the principal owed under the Note or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment

without any prepayment charge (whether or not a prepayment charge is provided for under the Note). Borrower's acceptance of any such refund made by direct payment to Borrower will constitute a waiver of any right of action Borrower might have arising out of such overcharge.

15. Notices. All notices given by Borrower or Lender in connection with this Security Instrument must be in writing. Any notice to Borrower in connection with this Security Instrument shall be deemed to have been given to Borrower when mailed by first class mail or when actually delivered to Borrower's notice address if sent by other means. Notice to any one Borrower shall constitute notice to all Borrowers unless Applicable Law expressly requires otherwise. The notice address shall be the Property Address unless Borrower has designated a substitute notice address by notice to Lender. Borrower shall promptly notify Lender of Borrower's change of address. If Lender specifies a procedure for reporting Borrower's change of address, then Borrower shall only report a change of address through that specified procedure. There may be only one designated notice address under this Security Instrument at any one time. Any notice to Lender shall be given by delivering it or by mailing it by first class mail to Lender's address stated herein unless Lender has designated another address by notice to Borrower. Any notice in connection with this Security Instrument shall not be deemed to have been given to Lender until actually received by Lender. If any notice required by this Security Instrument is also required under Applicable Law, the Applicable Law requirement will satisfy the corresponding requirement under this Security Instrument.

16. Governing Law; Severability; Rules of Construction. This Security Instrument shall be governed by federal law and the law of the jurisdiction in which the Property is located. All rights and obligations contained in this Security Instrument are subject to any requirements and limitations of Applicable Law. Applicable Law might explicitly or implicitly allow the parties to agree by contract or it might be silent, but such silence shall not be construed as a prohibition against agreement by contract. In the event that any provision or clause of this Security Instrument or the Note conflicts with Applicable Law, such conflict shall not affect other provisions of this Security Instrument or the Note which can be given effect without the conflicting provision.

As used in this Security Instrument: (a) words of the masculine gender shall mean and include corresponding neuter words or words of the feminine gender; (b) words in the singular shall mean and include the plural and vice versa; and (c) the word "may" gives sole discretion without any obligation to take any action.

17. Borrower's Copy. Borrower shall be given one copy of the Note and of this Security Instrument.

18. Transfer of the Property or a Beneficial Interest in Borrower. As used in this Section 18, "Interest in the Property" means any legal or beneficial interest in the Property, including, but not limited to, those beneficial interests transferred in a bond for deed, contract for deed, installment sales contract or escrow agreement, the intent of which is the transfer of title by Borrower at a future date to a purchaser.

If all or any part of the Property or any Interest in the Property is sold or transferred (or if Borrower is not a natural person and a beneficial interest in Borrower is sold or transferred) without Lender's prior written consent, Lender may require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if such exercise is prohibited by Applicable Law.

If Lender exercises this option, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is given in accordance with Section 15 within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

19. Borrower's Right to Reinstate After Acceleration. If Borrower meets certain conditions, Borrower shall have the right to have enforcement of this Security Instrument discontinued at any time prior to the earliest of: (a) five days before sale of the Property pursuant to any power of sale contained in this Security Instrument; (b) such other period as Applicable Law might specify for the termination of Borrower's right to reinstate; or (c) entry of a judgment enforcing this Security Instrument. Those conditions are that Borrower: (a) pays Lender all sums which then would be due under this Security Instrument and the Note as if no acceleration had occurred; (b) cures any default of any other covenants or agreements; (c) pays all expenses incurred in enforcing this Security Instrument, including, but not limited to, reasonable attorneys' fees, property inspection and valuation fees, and other fees incurred for the purpose of protecting Lender's interest in the Property and rights under this Security Instrument; and (d) takes such action as Lender may reasonably require to assure that Lender's interest in the Property and rights under this Security Instrument, and Borrower's obligation to pay the sums secured by this Security Instrument, shall

continue unchanged. Lender may require that Borrower pay such reinstatement sums and expenses in one or more of the following forms, as selected by Lender: (a) cash; (b) money order; (c) certified check, bank check, treasurer's check or cashier's check, provided any such check is drawn upon an institution whose deposits are insured by a federal agency, instrumentality or entity; or (d) Electronic Funds Transfer. Upon reinstatement by Borrower, this Security Instrument and obligations secured hereby shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under Section 18.

20. Sale of Note; Change of Loan Servicer; Notice of Grievance. The Note or a partial interest in the Note (together with this Security Instrument) can be sold one or more times without prior notice to Borrower. A sale might result in a change in the entity (known as the "Loan Servicer") that collects Periodic Payments due under the Note and this Security Instrument and performs other mortgage loan servicing obligations under the Note, this Security Instrument, and Applicable Law. There also might be one or more changes of the Loan Servicer unrelated to a sale of the Note. If there is a change of the Loan Servicer, Borrower will be given written notice of the change which will state the name and address of the new Loan Servicer, the address to which payments should be made and any other information RESPA requires in connection with a notice of transfer of servicing. If the Note is sold and thereafter the Loan is serviced by a Loan Servicer other than the purchaser of the Note, the mortgage loan servicing obligations to Borrower will remain with the Loan Servicer or be transferred to a successor Loan Servicer and are not assumed by the Note purchaser unless otherwise provided by the Note purchaser.

Neither Borrower nor Lender may commence, join, or be joined to any judicial action (as either an individual litigant or the member of a class) that arises from the other party's actions pursuant to this Security Instrument or that alleges that the other party has breached any provision of, or any duty owed by reason of, this Security Instrument, until such Borrower or Lender has notified the other party (with such notice given in compliance with the requirements of Section 15) of such alleged breach and afforded the other party hereto a reasonable period after the giving of such notice to take corrective action. If Applicable Law provides a time period which must elapse before certain action can be taken, that time period will be deemed to be reasonable for purposes of this paragraph. The notice of acceleration and opportunity to cure given to Borrower pursuant to Section 22 and the notice of acceleration given to Borrower pursuant to Section 18 shall be deemed to satisfy the notice and opportunity to take corrective action provisions of this Section 20.

21. Hazardous Substances. As used in this Section 21: (a) "Hazardous Substances" are those substances defined as toxic or hazardous substances, pollutants, or wastes by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials; (b) "Environmental Law" means federal laws and laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection; (c) "Environmental Cleanup" includes any response action, remedial action, or removal action, as defined in Environmental Law; and (d) an "Environmental Condition" means a condition that can cause, contribute to, or otherwise trigger an Environmental Cleanup.

Borrower shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances, or threaten to release any Hazardous Substances, on or in the Property. Borrower shall not do, nor allow anyone else to do, anything affecting the Property (a) that is in violation of any Environmental Law, (b) which creates an Environmental Condition, or (c) which, due to the presence, use, or release of a Hazardous Substance, creates a condition that adversely affects the value of the Property. The preceding two sentences shall not apply to the presence, use, or storage on the Property of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses and to maintenance of the Property (including, but not limited to, hazardous substances in consumer products).

Borrower shall promptly give Lender written notice of (a) any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which Borrower has actual knowledge, (b) any Environmental Condition, including but not limited to, any spilling, leaking, discharge, release or threat of release of any Hazardous Substance, and (c) any condition caused by the presence, use or release of a Hazardous Substance which adversely affects the value of the Property. If Borrower learns, or is notified by any governmental or regulatory authority, or any private party, that any removal or other remediation of any Hazardous Substance affecting the Property is necessary,

Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law. Nothing herein shall create any obligation on Lender for an Environmental Cleanup.

NON-UNIFORM COVENANTS. Borrower and Lender further covenant and agree as follows:

22. Acceleration; Remedies. Lender shall give notice to Borrower prior to acceleration following Borrower's breach of any covenant or agreement in this Security Instrument (but not prior to acceleration under Section 18 unless Applicable Law provides otherwise). The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than 30 days from the date the notice is given to Borrower, by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Security Instrument and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to bring a court action to assert the non-existence of a default or any other defense of Borrower to acceleration and sale. If the default is not cured on or before the date specified in the notice, Lender at its option may require immediate payment in full of all sums secured by this Security Instrument without further demand and may invoke the STATUTORY POWER OF SALE and any other remedies permitted by Applicable Law. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this Section 22, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

If Lender invokes the STATUTORY POWER OF SALE, Lender shall mail a copy of a notice of sale to Borrower, and to other persons prescribed by Applicable Law, in the manner provided by Applicable Law. Lender shall publish the notice of sale, and the Property shall be sold in the manner prescribed by Applicable Law. Lender or its designee may purchase the Property at any sale. The proceeds of the sale shall be applied in the following order: (a) to all expenses of the sale, including, but not limited to, reasonable attorneys' fees; (b) to all sums secured by this Security Instrument; and (c) any excess to the person or persons legally entitled to it.

23. Release. Upon payment of all sums secured by this Security Instrument, Lender shall discharge this Security Instrument. Borrower shall pay any recordation costs. Lender may charge Borrower a fee for releasing this Security Instrument, but only if the fee is paid to a third party for services rendered and the charging of the fee is permitted under Applicable Law.

24. Waivers. Borrower waives all rights of homestead exemption in the Property and relinquishes all rights of curtesy and dower in the Property.

[Signatures on Following Page]

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Security Instrument and in any Rider executed by Borrower and recorded with it.

Witnesses:

(Seal)
-Borrower
[Printed Name]

(Seal)
-Borrower
[Printed Name]

(Seal)
-Borrower
[Printed Name]

(Seal)
-Borrower
[Printed Name]

_____ [Space Below This Line For Acknowledgment] _____

State of §
County of §
§

On this _____ day of _____, before me, the undersigned notary public, personally appeared _____,

proved to me through satisfactory evidence of identification, which were _____, to be the person whose name is signed on the preceding or attached document, and acknowledged to me that he/she signed it voluntarily for its stated purpose.

(Seal)

Signature

My Commission expires _____

HOMEOWNER SEPTIC REPAIR LOAN PROGRAM
INCOME LIMITS
APPENDIX A

Income Limits for 0% Loan *

Market Area	Family Size	
	1-2 Person	3 or More
A. Boston Area	\$25,000	\$28,500
B. Lawrence Area	\$23,500	\$27,000
C. Lowell Area	\$25,000	\$28,500
D. New Bedford Area	\$23,000	\$26,000
E. Springfield Area	\$23,000	\$26,000
F. Balance of State Market Area	\$23,000	\$26,000

Income Limits for 3% Loan *

Market Area	Family Size	
	1-2 Person	3 or More
A. Boston Area	\$50,000	\$57,000
B. Lawrence Area	\$47,000	\$54,000
C. Lowell Area	\$50,000	\$57,000
D. New Bedford Area	\$46,000	\$52,000
E. Springfield Area	\$46,000	\$52,000
F. Balance of State	\$46,000	\$52,000

Income Limits for 5% Loan *

Market Area	Family Size	
	1-2 Person	3 or More
A. Boston Area	\$100,000	\$114,000
B. Lawrence Area	\$94,000	\$108,000
C. Lowell Area	\$100,000	\$114,000
D. New Bedford Area	\$92,000	\$104,000
E. Springfield Area	\$92,000	\$104,000
F. Balance of State Market Area	\$92,000	\$104,000

**Find the letter code for your community on the following pages to determine market area.*

Homeowners Septic Repair Loan Program Cities and Towns

MHFA

Abington	F	Bernardston	F	Chelsea	A
Acton	A	Beverly	A	Cheshire	F
Acushnet	D	Billerica	C	Chester	F
Adams	F	Blackstone	A	Chesterfield	F
Agawam	E	Blandford	F	Chicopee	E
Alford	F	Bolton	A	Chilmark	F
Amesbury	A	Boston	A	Clarksburg	F
Amherst	E	Bourne	F	Clinton	F
Andover	B	Boxborough	A	Cohasset	A
Arlington	A	Boxford	B	Colrain	F
Ashburnham	F	Boylston	F	Concord	A
Ashby	F	Braintree	A	Conway	F
Ashfield	F	Bridgewater	F	Cummington	F
Ashland	A	Brimfield	F	Dalton	F
Athol	F	Brockton	F	Danvers	A
Attleboro	F	Brewster	F	Dartmouth	D
Auburn	F	Brookfield	F	Dedham	A
Avon	F	Brookline	A	Deerfield	F
Ayer	A	Buckland	F	Dennis	F
Barnstable	F	Burlington	A	Dighton	A
Barre	F	Cambridge	A	Douglas	F
Becket	F	Canton	A	Dover	A
Bedford	A	Carlisle	A	Dracut	C
Belchertown	E	Carver	A	Dudley	F
Bellingham	A	Charlemont	F	Dunstable	C
Belmont	A	Charlton	F	Duxbury	A
Berkley	A	Chatham	F	East Bridgewater	F
Berlin	A	Chelmsford	C	East Brookfield	F
East Longmeadow	E	Gardner	F	Hancock	F
Eastham	F	Gay Head	F	Hanover	A
Easthampton	E	Georgetown	B	Hanson	F
Easton	F	Gill	F	Hardwick	F
Edgartown	F	Gloucester	A	Harvard	A
Egremont	F	Goshen	F	Harwich	F
Erving	F	Gosnold	F	Hatfield	E
Essex	A	Grafton	F	Haverhill	B
Everett	A	Granby	E	Hawley	F
Fairhaven	D	Granville	F	Heath	F
Fall River	F	Great Barrington	F	Hingham	A
Falmouth	F	Greenfield	F	Hinsdale	F
Fitchburg	F	Groton	C	Holbrook	A
Florida	F	Groveland	B	Holden	F
Foxborough	A	Hadley	E	Holland	F
Framingham	A	Halifax	F	Holliston	A
Franklin	A	Hamilton	A	Holyoke	E
Freetown	D	Hampden	E	Hopedale	A

Homeowners Septic Repair Loan Program Cities and Towns

MHFA

Hopkinton	A	Merrimac	B	Oak Bluffs	F
Hubbardston	F	Methuen	B	Oakham	F
Hudson	A	Middleborough	F	Orange	F
Hull	A	Middlefield	F	Orleans	F
Huntington	E	Middleton	A	Otis	F
Ipswich	A	Milford	A	Oxford	F
Kingston	A	Millbury	F	Palmer	E
Lakeville	F	Millis	A	Paxton	F
Lancaster	A	Millville	A	Peabody	A
Lanesborough	F	Milton	A	Pelham	F
Lawrence	B	Monroe	F	Pembroke	A
Lee	F	Monson	E	Pepperell	C
Leicester	F	Montague	F	Peru	F
Lenox	F	Monterey	F	Petersham	F
Leominster	F	Montgomery	E	Phillipston	F
Leverett	F	Mt. Washington	F	Pittsfield	F
Lexington	A	Nahant	A	Plainfield	F
Leyden	F	Nantucket	F	Plainville	A
Lincoln	A	Natick	A	Plymouth	A
Littleton	A	Needham	A	Plympton	F
Longmeadow	E	New Ashford	F	Princeton	F
Lowell	C	New Bedford	D	Provincetown	F
Ludlow	E	New Braintree	F	Quincy	A
Lunenburg	F	New Marlborough	F	Randolph	A
Lynn	A	New Salem	F	Raynham	F
Lynnfield	A	Newbury	A	Reading	A
Malden	A	Newburyport	A	Rehoboth	F
Manchester	A	Newton	A	Revere	A
Mansfield	A	Norfolk	A	Richmond	F
Marblehead	A	North Adams	F	Rochester	D
Marion	D	North Andover	B	Rockland	A
Marlborough	A	North Attleboro	F	Rockport	A
Marshfield	A	North Brookfield	F	Rowe	F
Mashpee	F	North Reading	A	Rowley	A
Mattapoissett	D	Northampton	E	Royalston	F
Maynard	A	Northborough	F	Russell	E
Medfield	A	Northbridge	F	Rutland	F
Medford	A	Northfield	F	Salem	A
Medway	A	Norton	A	Salisbury	A
Melrose	A	Norwell	A	Sandisfield	F
Mendon	A	Norwood	A	Sandwich	F

Homeowners Septic Repair Loan Program Cities and Towns

MHFA

Saugus	A	Upton	A	Winchester	A
Savoy	F	Uxbridge	F	Windsor	F
Scituate	A	Wakefield	A	Winthrop	A
Seekonk	F	Wales	F	Woburn	A
Sharon	A	Walpole	A	Worcester	F
Sheffield	F	Waltham	A	Worthington	F
Shelburne	F	Ware	E	Wrentham	A
Sherborne	A	Wareham	A	Yarmouth	F
Shirley	A	Warren	F		
Shrewsbury	F	Warwick	F		
Shutesbury	F	Washington	F		
Somerset	F	Watertown	A		
Somerville	A	Wayland	A		
South Hadley	E	Webster	F		
Southampton	E	Wellesley	A		
Southborough	A	Wellfleet	F		
Southbridge	F	Wendell	F		
Southwick	E	Wenham	A		
Spencer	F	West Boylston	F		
Springfield	E	West Bridgewater	F		
Sterling	F	West Brookfield	F		
Stockbridge	F	West Newbury	B		
Stoneham	A	West Springfield	E		
Stoughton	A	West Stockbridge	F		
Stow	A	West Tisbury	F		
Sturbridge	F	Westborough	F		
Sudbury	A	Westfield	E		
Sunderland	E	Westford	C		
Sutton	F	Westhampton	F		
Swampscott	A	Westminster	F		
Swansea	F	Weston	A		
Taunton	A	Westport	F		
Templeton	F	Westwood	A		
Tewksbury	C	Weymouth	A		
Tisbury	F	Whately	F		
Tolland	F	Whitman	F		
Topsfield	A	Wilbraham	E		
Townsend	A	Williamsburg	E		
Truro	F	Williamstown	F		
Tyngsborough	C	Wilmington	A		
Tyringham	F	Winchendon	F		

PART II

**THE HOMEOWNER SEPTIC REPAIR LOAN
PROGRAM MANUAL**

Condominium Association Supplement

**Commonwealth of Massachusetts
Department of Environmental Protection
One Winter Street
Boston, MA 02108
1 (800) 266-1122**

**Massachusetts Housing Finance Agency
One Beacon Street
Boston, MA 02108
(617) 854-1000**

Homeowner Septic Repair Loan Program

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Homeowner Septic Repair Loan Program

Introduction

This Condominium Loan Supplement (this "Supplement") is a supplement to The Homeowner Septic Repair Loan Program Manual. This Supplement sets forth the terms pursuant to which Septic Repair Loans to residential condominium trusts or associations will be purchased by the Agency under a Master Loan Purchase Agreement with a participating Lender. Capitalized terms used, but not defined, in this supplement shall have the meanings given to them in The Homeowner Septic Repair Loan Program Manual. The terms of a condominium loan purchased under this Supplement shall be the same as the terms of a homeowner loan purchased under The Homeowner Septic Repair Loan Program Manual except as otherwise provided herein.

The Agency acknowledges that certain provisions of the Master Loan Purchase Agreement contemplate that Septic Repair Loans will be secured by mortgages. Such provisions shall be construed in the context of Secured Condominium Loans to refer to the Security Agreement and UCC Financing Statements executed by the condominium association or trust. In particular, Section 5, Items (4) and (6) and Section 8 Items (1)(i) and (ii) shall be construed as follows:

SECTION 5

(4) The Note, the Security Agreement and Assignment of Income securing the Loan, the UCC-1 Financing Statements and the assignment of the foregoing to the Agency shall be in form as specified by the Program Manual, shall have been properly and completely filled out, shall have been executed, acknowledged, delivered and recorded, as applicable, and shall be legal, valid and binding obligations of the makers thereof enforceable in accordance with their terms; no counterclaim, set-off or defense shall exist which can be asserted and maintained by the Borrower or the Seller or any successor in interest of the Borrower or the Seller against the Agency, as assignee of said Loan.

(6) The Security Agreement and Assignment of Income securing the Loan shall constitute and the assignment thereof to the Agency shall convey, a valid lien on the income and personal property of the condominium association or trust which is the Borrower and as to which the Seller has no notice of any matter which would affect its value, except as otherwise specifically permitted in writing by the Agency.

SECTION 8

(1) Discovery by the Agency of any fact or circumstance which existed as of the Purchase Date and which:

(i) impairs the status of the Security Agreement and Assignment of Income securing a Loan or any portion thereof in favor of the Agency; or

(ii) impairs the title of the Borrower to the income or personal property securing the Loan;
or...

GLOSSARY OF ADDITIONAL/MODIFIED TERMS

Eligible Borrowers and Eligible System Upgrades

All condominium trusts and associations governing condominiums used for residential purposes with failed sewage disposal systems within the meaning of Title 5. Eligible system upgrades including connecting condominium buildings to an available sewer, but does not include the upgrade of a system solely for the purpose of accommodating an expansion of a condominium or a condominium unit.

Escrow Account

A separate account established by the Lender or Lender's Agent on behalf of a borrower for the purpose of funding repairs made to the failed sewage disposal system or costs associated with connecting a condominium building to available public sewer.

Secured Condominium Loan

An obligation secured by security instruments creating a lien upon income and personal property of a residential condominium.

Homeowner Septic Repair Loan Program: Part II - Section 2

PROGRAM DESCRIPTION

Application

Applications are only available through lenders who have entered into a Purchase Agreement with the Agency specifically for Homeowner Septic Repair Loans. No Borrower's Affidavit is required for a Secured Condominium Loan.

Debt-to-Income Ratio

There is no maximum debt-to-income ratio for a Secured Condominium Loan.

Credit

Loans will be written in accordance with lenders' internal prudent and reasonable credit guidelines.

Eligible Activities

All costs associated with the upgrade of a failed sewage disposal system within the meaning of Title 5 including connecting buildings in a condominium to an available sewer.

Insurance Requirement

Condominium common elements must be covered by hazard insurance including fire and extended coverage insurance.

Lien Position

The condominium association or trust must not have outstanding any prior security interest in its income or property. A Uniform Commercial Code search (UCC-11) must be performed in the name of the condominium at the Massachusetts Secretary of State and the clerk of the city or town where the condominium is located.

Loan Amount

Loan size may range from \$1,000 to \$50,000 for condominiums with 25 or fewer units. Loan size may equal up to \$100,000 for condominiums with more than 25 units. Loans in excess of these parameters are possible, but must be specially approved by the Agency.

Homeowner Septic Repair Loan Program: Part II - Section 2

Loan Terms

Loans are to be fully amortized over their terms at an interest rate of 5%.

Loans may be paid full at any time with no penalty.

Payment of loans may not be assumed by third parties.

Loans are for a term of 10 years.

Security

All Septic Repair Loans to condominium associations/trusts are to be secured by a security agreement and assignment of income and a UCC-1 financing statement.

Fees

There are no program fees charged to the Borrower for the Septic Repair Loan. Recording, credit report charges, attorney and UCC search fees will be paid for by the Borrower (may be financed). Attorney's fees of up to \$1,000 for the Lender's attorney shall be paid for by the Borrower, but may be financed as part of the Loan.

A Lender will be paid a fee of \$500 for each upgrade of a failed septic system to meet Title 5 requirements, financed by the Lender, pursuant to the terms of this program. This fee will be paid by MHFA upon the purchase of the Septic Repair Loan.

Role of the Lender

- Receives loan application.
- Underwrites, processes and closes the Septic Repair Loan (may be done by Lender's Agent) upon receipt of the Subsurface Disposal System Inspection Form which includes plans approved by the loan board of health and a copy of the Disposal System Construction Permit.
- Sets up an escrow account to fund the repair work (may be done by Lender's Agent)
- Establishes an agreed-upon disbursement schedule.
- Submits the Loan package to MHFA for purchase.
- Disburses funds for work completed (may be done by Lender's Agent).
- Receives a Certificate of Compliance from the borrower issued by the Board of Health indicating that the system has been upgraded or connected to a public sewer and meets the requirements of Title V. Submits a copy of the Certificate to MHFA.
- Funds the balance payable under the Loan.
- Receives a \$500 origination fee upon purchase by MHFA of the Septic Repair Loan.

Homeowner Septic Repair Loan Program: Part II - Section 2

Right of Rescission

There is no right of rescission with respect to a Secured Condominium Loan.

Documents Required

Loan Submission Checklist (SL-2001)
Loan Submission Certificate (SL-2002)
Security Agreement and Assignment of Income (SL-2400)
Certificate of Votes (SL-2700)
Note (SL-2800)
Assignment of Security Instrument (SL-2900)
Uniform Residential Loan Application (FNMA 1003)
Subsurface Sewage Disposal System Inspection Form
Disposal System Construction Permit
Construction Contract
Disposal System Installer's Permit
UCC-1 Financing Statement
UCC-3 Financing Statement

MHFA RESERVES THE FOLLOWING RIGHTS:

1. To deny the purchase of a loan including payment of the \$500 origination fee which does not comply with the terms of the executed purchase agreement.

Homeowner Septic Repair Loan Program: Part II- Section 3

F O R M S

**HOMEOWNER SEPTIC REPAIR LOAN PROGRAM
SUBMISSION CHECKLIST**

MHFA

Form #SL-2001

BORROWER(S): _____ CONDOMINIUM TRUST/ASSOCIATION

Please fasten the following original documentation to the right of the file folder:

SUBMISSION CERTIFICATE	(SL-2002)
SECURITY AGREEMENT AND ASSIGNMENT OF INCOME	(SL-2400)
EXHIBIT A TO FINANCING STATEMENT	(SL-2500)
CERTIFICATE OF VOTES	(SL-2700)
ORIGINAL NOTE	(SL-2800)
ASSIGNMENT OF SECURITY INSTRUMENT	(SL-2900)
UCC-1 FINANCING STATEMENT	
UCC-3 FINANCING STATEMENT	
INSURANCE BINDER	
COPY OF MASTER DEED	
COPY OF DECLARATION OF TRUST	
CONSTRUCTION CONTRACT	
SUBSURFACE SEWAGE DISPOSAL SYSTEM INSPECTION FORM	
DISPOSAL SYSTEM CONSTRUCTION PERMIT	
CONTRACTOR'S DISPOSAL SYSTEM INSTALLERS PERMIT	

Please fasten the following original documentation to the left of the file folder:

UNIFORM RESIDENTIAL LOAN APPLICATION (FNMA 1003)
CURRENT OPERATING BUDGET
MOST RECENT TWO YEARS' FINANCIAL STATEMENTS

ALL OTHER SUPPORTING DOCUMENTATION USED IN DETERMINING ELIGIBILITY AND CREDITWORTHINESS IS TO BE INCLUDED IN THE SUBMISSION FILE.

**HOMEOWNER SEPTIC REPAIR LOAN PROGRAM
LOAN SUBMISSION CERTIFICATE**

MHFA

Form #SL-2002

(This form must be completed in detail before a Septic Repair Loan will be processed by the Agency.)

LOAN INFORMATION

- | | | |
|---|--|---|
| 1. Reservation Number:
_____ | 2. Seller's Loan Number
_____ | 3. Date of Note:
_____ |
| 4. Original Loan Amount:
\$ _____ | 5. Interest Rate:
_____ | 6. Original Loan Term
(in months)
_____ |
| 7. Maturity Date:
_____ | 8. First Payment Due Date
(if applicable):
_____ | 9. Date of Disbursement
_____ |
| 10. Monthly Payment
(Principal and Interest only)
(if applicable)
\$ _____ | 11. System Repair Cost:
\$ _____ | |

BORROWER INFORMATION

Borrower Name: _____

**HOMEOWNER SEPTIC REPAIR LOAN PROGRAM
SECURITY AGREEMENT AND
ASSIGNMENT OF INCOME – ALL LOANS**

MHFA

Form #SL-2400

This Security Agreement is made this ____ day of _____, 20__ by the undersigned Trustees [Managers] of _____ Condominium Trust [Association] under Declaration of Trust dated _____ and recorded with the _____ County Registry of Deeds in Book _____, Page _____ (the "Borrower") and _____, with a principal place of business at _____, _____, Massachusetts _____ (the "Lender").

The Borrower, for good and valuable consideration, receipt of which is hereby acknowledged, hereby transfers and assigns to the Lender and grants to the Lender a security interest in the following income, accounts, rights, chooses in action, which are now or hereafter in existence (the "Collateral").

All common charges, parking fees, and assessments now or hereafter levied and assessed against or collected from the owners of units of _____ Condominium created by a master deed dated _____ (the "Master Deed") and recorded with the _____ County Registry of Deeds in Book _____, Page _____, (the "Condominium") or collected from other third parties; Borrower's right and authority to adopt and implement budgets, to levy common charges, parking fees, and assessments and to enforce payment and to collect the same; all liens, guaranties, securities, rights, remedies and privileges, statutory, by covenant and otherwise, and more particularly those which permit Borrower to effect the collection of unpaid common charges, parking fees and assessments pursuant to the provisions of the by-laws of the Condominium, the Master Deed and M.G.L. c. 183A; all other income, rents and profits and interest thereon received by or on behalf of Borrower from all sources whatsoever, subject, however, to rights of mortgagees of units; all accounts receivable, contract rights, and chattel paper regardless of whether or not they constitute proceeds of other collateral; all obligations owing to Borrower of every kind and nature, and all chooses in action; all tax refunds of every kind and nature to which borrower is now or hereafter may become entitled no matter how arising, including, without limitation, loss carry back refunds; and all cash, documents and instrument.

Said security interest is granted to secure the prompt payment of _____ and 00/100 Dollars (\$_____) as provided in a promissory note (the "Note") of even date from the Borrower to the Lender, and the performance of all covenants and agreements contained herein (collectively, the "Obligations").

**HOMEOWNER SEPTIC REPAIR LOAN PROGRAM
SECURITY AGREEMENT AND
ASSIGNMENT OF INCOME – ALL LOANS**

MHFA

Form #SL-2400

Borrower hereby warrants, represents and covenants:

1. The Condominium is a condominium validly created pursuant to M.G.L. c. 183A, as amended; the Borrower is duly authorized by the By-laws of the Condominium Trust to assess dues, fees and assessments on the unit owners of the Condominium; and there are currently no unpaid condominium charges owed by any unit owners more than thirty (30) days in arrears except those which have been disclosed in writing to Lender. Except for the interest granted hereby, Borrower is or, to the extent that this Agreement contemplates that any of the Collateral may be acquired hereafter, will be fully authorized, empowered and entitled to receive and collect the Collateral and said Collateral is free from any adverse lien, security interest or encumbrance taking priority over the security interest granted hereunder to the Lender, and the Borrower will defend the Collateral against all claims and demands of all persons at any time claiming the same or any interest herein.
2. No financing statement covering any Collateral under which a security interest prior to that of the Lender is or may be claimed is, or will be, on file in any public office, and from time to time at the request of the Lender the Borrower will join with the Lender in executing one or more Financing Statements pursuant to the Uniform Commercial Code then in force in The Commonwealth of Massachusetts in form satisfactory to the Lender and will pay the cost of filing the same in all public offices wherever filing is deemed by the Lender to be necessary or desirable; and the borrower will from time to time at the request of the Lender do, or execute and deliver, such additional and further acts, things, assurances and instruments as are deemed desirable by the Lender in order completely to vest in and assure to the Lender all of its benefits in or to the Collateral.
3. The Borrower will keep the Collateral free from any and all adverse liens, security interests or encumbrances; and Borrower will not use the Collateral in violation of any provisions contained in the Condominium Documents or Massachusetts General Laws, Chapter 183A, as amended.
4. The Borrower will pay promptly when due all Federal and State income taxes.
5. Until default, Borrower may collect, receive and have possession of the Collateral and use it in a manner consistent with its obligations under the Condominium documents, provided, however, that (i) all income received shall be applied first to the timely payment of sums due under the Note and only the balance remaining may be used for any other obligations and (ii) all payments received on account of special assessments levied on unit owners by Borrower to fund

**HOMEOWNER SEPTIC REPAIR LOAN PROGRAM
SECURITY AGREEMENT AND
ASSIGNMENT OF INCOME – ALL LOANS**

MHFA

Form #SL-2400

Borrower's septic repair or replacement shall be either used to fund such work or applied as payments or prepayments of the Note.

6. The Borrower will have and maintain insurance at all times insuring the common areas of the Condominium against risk of loss by fire and all other risks which the Lender may from time to time require, in such amounts, containing such terms, in such form, for such periods and written by such companies as may be satisfactory to the Lender, such insurance to be payable first to the Lender and thereafter to the Borrower as their interests may appear; all policies of insurance shall at the request of the Lender be delivered to an held by the Lender, and the Lender may act as attorney for the Borrower in obtaining, adjusting, settling and canceling such insurance and endorsing any drafts. All proceeds of insurance shall be applied to the repair, restoration or replacement of any damaged or destroyed common areas, except in the case of an election pursuant to Chapter 183A and/or the Condominium Documents not to restore the common areas, in which case all proceeds of income shall be applied to the satisfaction of the Obligations.

7. The Borrower will fulfill all of the obligations imposed upon the Borrower by the Condominium By-Laws and the Master Deed, including the obligation to maintain the common areas ad facilities of the Condominium and to keep same in good repair and condition and the Borrower will from time to time make all proper repairs, renewals, and replacements thereof and will permit the Lender to examine and inspect the said common areas and facilities at any time. The Borrower will enforce the performance or observance of each and every covenant and condition contained in the Master Deed and By-Laws and shall not do or permit to be done anything which impairs Lender's interest in the Collateral. The Borrower shall not execute any other assignment of Borrower's interest in the Collateral and the Borrower shall not abandon condominium status or amend the condominium documents in any way which would impair Lender's interest in the Collateral.

8. The Borrower will not sell, offer to sell, lease, encumber, hypothecate, convey or otherwise transfer any Collateral or any interest therein without the written consent of the Lender.

9. The Borrower shall, during the term of this Agreement, keep Lender currently and accurately informed in writing of the location of Borrower's bank accounts, the status of all policies of casualty insurance on the Condominium and the status of any contract rights, together with all record relating thereto and shall make all statements, insurance policies and records available to Lender at all times upon request.

**HOMEOWNER SEPTIC REPAIR LOAN PROGRAM
SECURITY AGREEMENT AND
ASSIGNMENT OF INCOME – ALL LOANS**

MHFA

Form #SL-2400

10. The Borrower shall be in default under this Agreement upon the occurrence of any one or more of the following events or conditions:

- (i) Default in the payment or performance of any obligations, covenant, warranty or liability contained herein or in the Note or Conditional Assignment.
- (ii) Any covenant, warranty, representation, or statement made or furnished to the Lender by or on behalf of the Borrower proves to have been false in any material respect when made or furnished.
- (iii) Any event which results in the acceleration of the maturity of any indebtedness of Borrower to the Lender or which constitutes an event of default under any instrument, document or agreement evidencing or securing any of the Obligations.
- (iv) Dissolution, termination of existence or insolvency, appointment of a receiver for any part of the property, assignment for the benefit of creditors or the commencement of any proceedings under any bankruptcy or insolvency laws of, by, or against Borrower.
- (v) Abandonment of condominium status or amendment, alteration or modification in any way of the Master Deed or the By-Laws without consent of the Lender, which consent shall not be unreasonably withheld.

11. Upon such default and at any time thereafter, the Lender (i) may declare all Obligations secured hereby immediately due and payable, (ii) shall have all of the remedies of a Lender under the Uniform Commercial Code as now in effect in The Commonwealth of Massachusetts, (iii) may, at its option, without notice and without regard to the adequacy of the security for the indebtedness hereby secured, in person or by agent, with or without bringing any action, suit or proceeding, cause the levying of common charges or assessments pursuant hereto on such terms, employing such management agents and for such period of time as Lender may deem proper and may collect and receive all income including that past due, with full power to undertake from time to time all actions as it may deem proper to enforce, modify and compromise the collection of any Income, (iv) may do all things required of or permitted to the Borrower under the Bylaws and do any acts which Lender deems proper to protect its interest until all indebtedness secured hereby is paid in full, and in its own name or in the name of the Borrower use for or otherwise collect and receive all Income including that past due and apply the same, less costs and expenses of collection, including reasonable attorneys' fees and management agents' fees, to the indebtedness secured hereby and (v) shall have such further remedies as may from time to time hereafter be provided under Massachusetts law for a Lender. Lender shall not be accountable for

**HOMEOWNER SEPTIC REPAIR LOAN PROGRAM
SECURITY AGREEMENT AND
ASSIGNMENT OF INCOME – ALL LOANS**

MHFA

Form #SL-2400

more money than it actually receives, nor shall it be liable for failure to collect any Income for any reason whatsoever. Borrower shall facilitate in all reasonable ways any action taken by Lender under this paragraph and Borrower shall, upon demand by Lender, execute a written notice to each person by whom Income is payable, directing that such Income be paid to Lender. No waiver by the Lender of any default shall operate as a waiver of any other default or of the same default on any other occasion. The Borrower agrees that all rights of the Lender under this Agreement may be exercised together or separately as the Lender may in its sole discretion elect. All rights of the Lender hereunder are cumulative.

12. Upon payment in full to the Lender of the principal sum, interest and indebtedness secured hereby, this Agreement shall terminate, but the affidavit, certificate, letter or statement of any officer, agent or attorney of the Lender made in good faith showing any part of said principal, interest or indebtedness remaining unpaid shall be and constitute conclusive evidence of the validity, effectiveness and continuing force of this Agreement and any person may, and is hereby authorized to, rely thereon.

13. Nothing contained in this Agreement and no act done or omitted by the Lender pursuant to the powers and rights granted it hereunder shall be deemed to be a waiver by the Lender of its rights and remedies under any one or more of the Note and this Agreement. The right of the Lender to collect the indebtedness evidenced by the Note and to enforce any other security therefore held by it may be exercised by the Lender either prior to, simultaneously with, or subsequent to any action taken by it hereunder.

14. The Lender shall not be liable for any loss sustained by the borrower resulting from the Lender's failure to collect the condominium dues and fees from unit owners after default or from any other act or omission of the Lender in operating and managing the Condominium after default unless such loss is caused by the willful misconduct and bad faith of the Lender. Nor shall the Lender be obligated to perform or discharge, nor does the Lender hereby undertake to perform or discharge, any obligation, duty or liability under the Master Deed creating the condominium or the Condominium Trust or By-laws adopted pursuant thereto (the "Condominium Documents") under or by reason of this Conditional Assignment, and the Borrower shall, and does hereby agree to indemnify the Lender from, and to hold the Lender harmless from, any and all liability, loss or damage which may or might be incurred under or by reason of this Agreement and from any and all claims and demands whatsoever which may be asserted against the Lender by reason of any alleged obligations or undertakings on its part to perform or discharge any of the obligations and duties contained in said condominium Documents. Should the Lender incur any such liability under said Condominium Documents or under or by reason of this Agreement or in defense of any such claims or demands, the amount

**HOMEOWNER SEPTIC REPAIR LOAN PROGRAM
SECURITY AGREEMENT AND
ASSIGNMENT OF INCOME – ALL LOANS**

MHFA

Form #SL-2400

thereof, including costs, expenses and reasonable attorneys' fees shall be secured hereby and the Borrower shall reimburse the Lender therefore immediately upon demand and upon the failure of the Borrower so to do, the Lender may, at its option, declare all sums secured hereby immediately due and payable. An it is further understood that this Agreement shall not operate to place responsibility on the Lender for the levy, assessment or collection of condominium dues or for the control, care, management or repair of said Condominium; nor shall it operate to made the Lender responsible or liable for any dangerous or defective condition of the Condominium or for any negligence in the management, upkeep, repair or control of said Condominium resulting in loss or injury or death to any unit owner, occupant, tenant, licensee, employee or stranger.

15. All rights of the Lender and obligations, representations, liabilities and agreements of the Borrower hereunder shall inure to the benefit of and shall bind their respective successors and assigns.

IN WITNESS WHEREOF, the undersigned have executed these presents under seal the day and year first above-written.

_____ CONDOMINIUM TRUST

By: _____
Trustee [Manager] and not individually

By: _____
Trustee [Manager] and not individually

By: _____
Trustee [Manager] and not individually

By: _____
Trustee [Manager] and not individually

**HOMEOWNER SEPTIC REPAIR LOAN PROGRAM
SECURITY AGREEMENT AND
ASSIGNMENT OF INCOME – ALL LOANS**

MHFA

Form #SL-2400

COMMONWEALTH OF MASSACHUSETTS

_____, SS. _____

On this _____ day of _____, before me, the undersigned notary public, personally appeared _____ Trustees(s) [Manager(s)] proved to me through satisfactory evidence of identification, which was _____ to be the person whose name is signed on the preceding or attached document, and acknowledged to me that it is his/her free act and deed and that he/she signed it voluntarily for its stated purpose.

Notary Public:
My commission expires:

HOMEOWNER SEPTIC REPAIR LOAN PROGRAM
EXHIBIT A TO FINANCING STATEMENT
ALL LOANS

MHFA

Form #SL-2500

All common charges, parking fees and assessments now or hereafter levied and assessed against or collected from the owners of units of the _____ Condominium, a condominium located at _____, Massachusetts (the "Condominium") or collected from other third parties, Debtor's right and authority to adopt and implement budgets, to levy common charges, parking fees, and assessments and to enforce payment and to collect the same; all liens, guaranties, securities, rights, remedies and privileges, statutory, by covenant and otherwise, and more particularly those which permit Debtor to effect the collection of unpaid common charges, parking fees, and assessments pursuant to the provisions of the condominium documents and Massachusetts General Laws, Chapter 183A; all other income, rents and profits and interest thereon received by or on behalf of Debtor from all sources whatsoever, subject, however, to rights of mortgagees of units; all casualty insurance policies and proceeds thereof maintained by the Debtor on the Condominium; any awards from any taking of or condemnation or eminent domain proceedings relating to the Condominium; all accounts receivable, contract rights and chattel paper, regardless; of whether or not they constitute proceeds of other collateral; all obligations owing to Debtor of every kind and nature, and all choses in action; all tax refunds of every kind and nature to which Debtor is now or hereafter may become entitled no matter however arising, including, without limitation, loss carry back refunds; all cash, documents and instruments; all equipment, machinery and furniture of the Debtor.

All as set forth in a Security Agreement and a Conditional Assignment of Income, both dated _____, 20__ as amended.

**HOMEOWNER SEPTIC REPAIR LOAN PROGRAM
CERTIFICATE – ALL LOANS**

MHFA

Form #SL-2700

The undersigned hereby certified to _____ as follows:

1. We are all the duly elected and acting Trustees [Managers] of _____ Condominium Trust [Association] under Declaration of Trust dated _____ recorded with the _____ County Registry of Deeds in Book _____, Page _____.
2. That attached hereto is a true and complete copy of the votes duly adopted at a meeting of the Board of Trustees [Managers] in accordance with the By-laws.
3. That the aforesaid votes have not been altered, amended, rescinded or repealed and remain in full force and effect as of the date hereof.

Executed under seal this _____ day of _____, 20__.

TRUSTEES [MANAGERS] OF
_____ CONDOMINIUM
TRUST [ASSOCIATION] AND,
NOT INDIVIDUALLY

(_____
(_____
(_____
(_____
(_____
(_____
(_____
(_____
(_____
(_____

**HOMEOWNER SEPTIC REPAIR LOAN PROGRAM
CERTIFICATE – ALL LOANS**

MHFA

Form #SL-2700

COMMONWEALTH OF MASSACHUSETTS

_____, ss. _____

On this _____ day of _____, before me, the undersigned notary public, personally appeared _____ Trustees(s) [Manager(s)] proved to me through satisfactory evidence of identification, which was _____ to be the person whose name is signed on the preceding or attached document, and acknowledged to me that it is his/her free act and deed and that he/she signed it voluntarily for its stated purpose.

Notary Public:
My commission expires:

**HOMEOWNER SEPTIC REPAIR LOAN PROGRAM
NOTE – ALL LOANS**

MHFA

Form #SL-2800

Date: _____, 20____, _____, Massachusetts
(City of Town)

(Property Address)

1. BORROWER'S PROMISE TO PAY

In return for a loan that the undersigned Trustees [Managers] of _____ Condominium Trust [Association] under Declaration of Trust dated _____ and recorded with the _____ County Registry of Deeds in Book _____, Page _____ (the "Borrower"), received, the Borrower promises to pay U.S. \$_____ (this amount is called "principal"), plus interest, to the order of the Lender. The Lender is _____. The Borrower understands that the Lender may transfer this Note. The Lender or anyone who takes this Note by transfer and who is entitled to receive payment under this Note is called the "Note Holder".

2. INTEREST

Interest will be charged on the unpaid daily principal balance until the full amount of principal has been paid. The Borrower will pay interest at a yearly rate of five percent (5%) (the "interest rate").

The interest rate required by Section 2 is the rate the Borrower will pay both before and after any default described in Section 6(A) of this Note.

3. PAYMENTS

(A) Time and Place Payments

The Borrower will pay principal and interest by making payments every month.

The Borrower will make payments on the _____ day of each month beginning on _____, 20____. The borrower shall make these payments until the Borrower has paid all of the principal and interest and any other charges described below that the Borrower may owe under this Note. Monthly payments will be applied to interest before principal. If, on

HOMEOWNER SEPTIC REPAIR LOAN PROGRAM
NOTE – ALL LOANS

MHFA

Form #SL-2800

_____, 20___, the Borrower still owes amounts under this Note, the Borrower shall pay those amounts in full on that date, which is called the "maturity date". The Borrower shall make monthly payments at _____ or at a different place if required by the Note Holder.

(B) Monthly payment will be in the amount of U.S. \$_____.

4. BORROWER'S RIGHT TO REPAY

The Borrower has the right to make payments of principal at any time before they are due. A prepayment of principal only is known as a "prepayment". When the Borrower makes a prepayment, the Borrower shall notify the Note Holder in writing.

The Borrower may make a full prepayment or partial prepayments without paying any prepayment charge. The Note Holder will use all prepayments to reduce the amount of principal owed under this Note. The total amount of interest that the Borrower must pay under this Note will also be reduced to reflect the amount and date of any prepayments. If the Borrower makes a partial prepayment, however, there will be no changes in the due date or in the amount of the Borrower's monthly payment unless the Note Holder agrees in writing to those changes.

5. LOAN CHARGES

If a law, which applies to this loan and which sets maximum loan charges, is finally interpreted so that interest or other loan charges collected or to be collected in connection with this loan exceed the permitted limits, then: (i) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (ii) any sums already collected from the Borrower which exceeded permitted limits will be refunded to the Borrower. The Note Holder may choose to make this refund by reducing the principal the Borrower owed under this Note or by making a direct payment to the Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment.

6. BORROWER'S FAILURE TO PAY AS REQUIRED

(A) Default

If the Borrower does not pay the full amount of each monthly payment on the date it is due, the Borrower will be in default.

(B) Notice of Default

HOMEOWNER SEPTIC REPAIR LOAN PROGRAM
NOTE – ALL LOANS

MHFA

Form #SL-2800

If the Borrower is in default, the Note Holder may send the Borrower a written notice indicating that if the Borrower does not pay the overdue amount by a certain date, the Note Holder may require the Borrower to pay immediately the full amount of principal which has not been paid and all the interest owed on that amount which has accumulated to that date. That date must be at least 30 days after the date on which the notice is delivered or mailed to the Borrower.

(C) No Waiver by Note Holder

Even if, at a time when the Borrower is in default, the Note Holder does not require the Borrower to pay immediately in full as described above, the Note Holder will still have the right to do so if the Borrower is in default at a later time.

(D) Payment of Note Holder's Costs and Expenses

If the Note Holder has required the Borrower to pay immediately in full as described above, the Note Holder will have the right to be reimbursed for all of its costs and expenses in enforcing this Note to the extent not prohibited by applicable law. Those expense include, for example, reasonable attorneys fees.

7. GIVING OF NOTICE

Unless applicable law requires a different method, any notice that must be given to the Borrower under this Note will be given by delivering it or by mailing it by first-class mail to the Borrower at the property address above or at a different address if the Borrower give the Note Holder a notice of a different address.

Any notice that must be given to the Note Holder under this Note will be given by mailing it by first-class mail to the Note Holder at the address stated in Section 3(A) above or at a different address if the Borrower is given a notice of that different address.

8. WAIVERS

The Borrower waives the rights of presentment and notice of dishonor. "Presentment" means the right to require the Note Holder to demand payment of amounts due. "Notice of Dishonor" means the right to require the Note Holder to give notice to other persons that amounts due have not been paid.

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NOTE – ALL LOANS**

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9. SECURED NOTE

In addition to the protection given to the Note Holder under this Note, a Security Agreement and Assignment of Income (the "Security Instrument"), dated the same date as this Note, protects the Note Holder from possible losses which might result if the borrower does not keep the promises made in this Note. That Security Instrument describes how and under what conditions that Borrower may be required to make immediate payment in full of all amounts the Borrower owed under this Note.

Witness the hand(s) and seal(s) of the undersigned.

_____ CONDOMINIUM TRUST
[ASSOCIATION]

By: _____
Trustee [Manager] and not individually

By: _____
Trustee [Manager] and not individually

By: _____
Trustee [Manager] and not individually

By: _____
Trustee [Manager] and not individually

By: _____
Trustee [Manager] and not individually

**HOMEOWNER SEPTIC REPAIR LOAN PROGRAM
NOTE – ALL LOANS**

MHFA

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COMMONWEALTH OF MASSACHUSETTS

_____, SS. _____

On this _____ day of _____, before me, the undersigned notary public, personally appeared _____ Trustees(s) [Manager(s)] proved to me through satisfactory evidence of identification, which was _____ to be the person whose name is signed on the preceding or attached document, and acknowledged to me that it is his/her free act and deed and that he/she signed it voluntarily for its stated purpose.

Notary Public:
My commission expires:

**HOMEOWNER SEPTIC REPAIR LOAN PROGRAM
ASSIGNMENT OF SECURITY INSTRUMENT**

MHFA

Form #SL-2900

(Insert Name of the Assignor)

having an address at _____,
holder or a Security Agreement and Assignment of Income (the "Security Instrument") from

(Insert Name of Borrower)

to the Assignor dated _____ with respect to the condominium located in the
_____ of _____ in the county of
_____ and The Commonwealth of Massachusetts, assigns the Security
Instrument and the Note and claim secured thereby to the Massachusetts Housing Finance
Agency, having an address at One Beacon Street, Boston, Massachusetts 02108 (the "Agency").

TO HAVE AND TO HOLD the same unto the Agency, its successors and assigns,
forever, subject only to all the provisions contained in the said Security Instrument and Note.
The Assignor covenants that there is now due and owing upon the Security Instrument and Note
secured thereby, the principal sum of _____ Dollars (\$_____),
with interest, if any, thereon, and that there are no set-offs, counterclaims or defenses against the
same, in law or in equity, nor have there been any modifications or other changes in the original
terms thereof, other than as stated herein.

IN WITNESS WHEREOF, the Assignor has caused its corporate seal to be hereto affixed
and these presents to be signed in its name and behalf by _____ its
_____ the _____ day of _____, 20__.

Signed and sealed in the presence of

By: _____

**HOMEOWNER SEPTIC REPAIR LOAN PROGRAM
ASSIGNMENT OF SECURITY INSTRUMENT**

MHFA

Form #SL-2900

COMMONWEALTH OF MASSACHUSETTS

_____, ss. _____

On this _____ day of _____, before me, the undersigned notary public, personally appeared _____ proved to me through satisfactory evidence of identification, which was _____ to be the person whose name is signed on the preceding or attached document, and acknowledged to me that it is his/her free act and deed and that he/she signed it voluntarily for its stated purpose.

**HOMEOWNER SEPTIC REPAIR LOAN PROGRAM
VOTE OF TRUSTEES [MANAGERS]**

At a special meeting of the Board of Trustees [Managers] of _____
Condominium Trust [Association] held in _____, Massachusetts on the
_____ day of _____, 20__, a quorum being present, upon motion duly
made and seconded, it was by a majority of the Board of Trustees [Managers]:

1. Voted, To borrow the sum of \$_____ from_____.

2. Voted, to execute, in the name and on behalf of the Unit Owners and the Condominium Trust [Association], a Note for said sum, Security Agreement and Assignment of Income and UCC-1 Financing Statements, and any other documents necessary or convenient therefore, all on such terms and conditions as the Trustees [Managers] shall, in their sole discretion, deem appropriate.

3. Voted, to make a special assessment in the amount of \$_____ payable in annual installments of \$_____ over _____ years for the repayment of said note, which special assessment shall be paid by all Unit Owners.

Executed under seal this _____ day of _____, 20__.

TRUSTEES[MANAGERS] OF
_____ CONDOMINIUM
TRUST [ASSOCIATION] AND,
NOT INDIVIDUALLY

(_____
(_____
(_____
(_____
(_____
(_____
(_____
(_____
(_____
(_____