



# PROCEDURAL MANUAL

October 2017

ALABAMA HOUSING FINANCE AUTHORITY

## ARTICLE I: DEFINITIONS

<b>Amortization Schedule</b>	A table showing the amounts of principal due on regular intervals and the unpaid balance of the loan after each payment is made.
<b>Eligible Mortgage</b>	A document executed by an owner of property who has met all the necessary requirements established under the Housing Partnership Program, pledging that property as security for payment of a debt.
<b>Foreclosure</b>	A legal procedure in which property mortgaged as security for a loan is sold to pay the defaulting borrower's debt.
<b>IRS</b>	Internal Revenue Service.
<b>Modification</b>	The revision of one or more of the original terms of a mortgage or mortgage note.
<b>Mortgagor</b>	The borrower or owner in a mortgage transaction who pledges property as security for a debt.
<b>REO</b>	"Real Estate Owned." A term frequently used to describe ownership of real property acquired as a result of foreclosure.
<b>Satisfaction of Mortgage</b>	The recordable instrument given by the lenders to evidence payment in full of the mortgage debt.
<b>Servicer</b>	The Housing Partner responsible for the collection of payments and management of operation procedures related to a mortgage.
<b>Special Forbearance</b>	The act of refraining from legal action despite the fact that the mortgage is in arrears. It is usually granted only when a mortgagor makes a satisfactory arrangement by which the arrears will be paid at a later date.

## ARTICLE II: PROGRAM GUIDELINES

### **Eligible Habitat for Humanity Affiliates**

To be accepted for participation as an eligible builder under the Habitat Loan Purchase Program, the affiliate must have adopted the national organization of Habitat for Humanity's bylaws and articles, been approved by the national organization's Board of Directors, and be functioning as an active affiliate by providing safe, decent and affordable housing to low-income Alabamians. A letter from the national organization evidencing that the local affiliate has been authorized to act under the national Habitat for Humanity is required by AHFA. Each eligible affiliate must remain in good standing with Habitat for Humanity, International.

### **Eligible Lending Institutions**

To be accepted for participation as an eligible lending institution, the institution must be a national banking association, a bank chartered under the laws of the State of Alabama, a Federal National Mortgage Association approved mortgage banker, or a federal or state credit union. The term shall also include financial institutions which customarily originate or service mortgage loans or mortgages.

### **Eligible Borrowers/Income Qualified**

Eligible borrowers may not earn more than 80% of the state's current median income (or \$44,400) in total family income at the time of loan purchase. There are no restrictions on family size; however, priority will be given to purchases benefiting the greatest number of Alabamians. Each mortgage loan eligible for purchase must be made to an eligible borrower who has not owned a home at any time during the three-year period prior to the closing date of the mortgage loan.

### **Residency Requirements**

The home must serve as the low-income homebuyer's principal residence at all times. The homeowner must agree to an affordability period of not less than 15 years. During this period, should the homeowner sell, assign or convey the property, the new owner must comply with the following requirements:

- (a) the purchase price of the home must not exceed 95% of the median purchase price for the area per 24 CFR 92.254(a)(2);
- (b) the income of the new owner must be less than 80% of the median income for the area, as determined by HUD with adjustments for smaller and larger families; and
- (c) the home must remain the principal residence of the family throughout the remaining term of the 15-year affordability period.

All subsequent purchasers must meet these requirements.

### **Eligible Properties**

All eligible properties must be located within the State of Alabama. All properties must meet the property standards for the city and or county having jurisdiction over properties located in their areas. All properties must be single-family houses or townhouses. The maximum purchase price of the home must not exceed 95% of the median purchase price for the area.

### **Loan Terms and Types**

The maximum loan term will be 30 years. Each loan must be secured by the property. The maximum loan-to-value for loans eligible for purchase will be 100% of the value of the property. Secondary financing will be acceptable for the purposes of securing equity to Habitat. All loans eligible for purchase must be at a 0% interest rate.

### **Payment Requirements**

Each mortgage loan is to provide for payments of principal on a monthly basis on the first day of each month. Each monthly payment must be substantially equal over the entire term. The mortgagors' payments must be current to be purchased.

### **Sweat Equity**

The affiliate will certify to AHFA as to the number of sweat equity hours contributed by the homeowner to this property up to the point of project completion (*Appendix 7*).

### **Voluntary Labor**

The affiliate will certify to AHFA as to the reasonable number of voluntary labor hours contributed by volunteers to this property up to the point of project completion (*Appendix 7*).

### **Commitment Requests**

Each Habitat affiliate must submit a written request for a commitment from AHFA to purchase a loan (*Appendix 3*). The request must include the Habitat contact person and telephone number(s), the loan amount, loan term, property address, expected time of delivery (not to exceed 90 days from request) as well as a letter of intent to participate from the lending institution participating with the Habitat chapter. AHFA will issue its Commitment to Purchase based on availability of funds.

### **Submission of Loans**

Necessary documents for submission of a loan for purchase by AHFA will include the following documents (*see Appendix 4*):

1. Copy of note with appropriate endorsements (*Appendix 15*).
2. Copy of the mortgage (*Appendix 16*).
3. Certified copies of the completed unrecorded assignments, AHFA-1 and AHFA-2 (*Appendices 1 and 2*).
4. Copy of the Closing Settlement Statement/HUD 1.
5. Copy of title commitment with Habitat affiliate listed as insured and its successors and/or assigns.
6. Appraisal to include the value of the lot.
7. Copy of current paystub or verification of employment (VOE) and any other income documentation including divorce decrees, SSI, etc. (*see attached VOE, Appendix 8*).
8. Copy of three years' federal income tax returns signed by mortgagor.
9. Copy of any subordinate financing document (for example: FHLB, Downpayment Assistance Mortgage, HFH equity mortgage, etc.).
10. Ledger history evidencing timely payments with current principal balance.
11. Executed press release authorization (*Appendix 5*).
12. Original hazard/flood insurance policy with Habitat affiliate listed as insured and its successors and/or assigns.
13. Residency Agreement (*Appendix 6*).
14. Habitat for Humanity Certification: Description of Project (*Appendix 7*).
15. Final Survey (if Long Form Title Policy is submitted).
16. Occupancy Statement (*Appendix 9*).
17. Child Support Statement, if applicable (*Appendix 10*).
18. Income Tax Statement, if applicable (*Appendix 11*).
19. Employment Statement, if applicable (*Appendix 12*).
20. Full-time Student Statement, if applicable (*Appendix 13*).

### **Loan Purchasing Procedures**

Each loan file submitted with complete documentation for purchase will be purchased at 100% of the unpaid principal balance at the time of purchase. AHFA will notify the local Habitat affiliate and lending institution of its acceptance/rejection of the loan package within 30 days of receiving the package. Any additional documentation that may be required could delay the funding of the loan. AHFA will fund these loans on a monthly basis. All loans will be funded during the current month in which the payment is received. However, no loans will be funded the last week of the month unless payment has already been posted for the next month. This will ensure that the loan is current when purchased. Each Habitat affiliate will be responsible for establishing its correspondent relationship with the lending institution of its choice. AHFA will coordinate, with the lending institution, the purchase of the loan. AHFA will purchase the loan from the lending institution upon assignment to AHFA.

**Purchase Proceeds**

Habitat will use the proceeds from the sale of any loan to further its goal of providing safe, decent and affordable housing to low-income Alabamians. The proceeds may not be used for any purpose other than housing. The proceeds from the sale of all mortgage loans to AHFA must be used to provide owner-financing of residences and not acquire or replace existing permanent mortgages.

**Loan Servicing**

Each Habitat affiliate shall retain and be responsible for all loan servicing duties with regard to each loan sold to AHFA. Habitat will be responsible for collection of payments, any foreclosure proceedings that are necessary as well as escrowing for taxes and insurance, insuring that there is adequate hazard insurance maintained on the property, and that ad valorem taxes are paid annually. No servicing fees will be earned by Habitat for performing the servicing duties. Loans may be assumed, subject to AHFA's prior approval to the assumption. Each Habitat affiliate will be responsible for the collection of all monthly payments and the remittance of those payments to AHFA no later than the 15th of each month. Failure to collect the payments from the homeowner does not relieve the local Habitat affiliate of remittance of those funds. Habitat will agree upon sale of the loan to AHFA to guarantee that on a monthly basis all payments will be made and passed through to AHFA. **Habitat will maintain a payment reserve account with a balance sufficient to support a minimum number of monthly principal payments on each loan sold to AHFA, based on the following scale:**

- 1 to 10 loans:               6 months' reserve
- 11 to 20 loans:           4 months' reserve
- 21 or more loans:        2 months' reserve

**Calculation of Required Reserves**

Total monthly principal payment to AHFA  
(x)  
Required months of reserves (see chart above)  
=  
Dollar amount of required reserves

## ARTICLE III: ROUTINE SERVICING DUTIES

Habitat for Humanity (hereinafter referred to as "Servicer") will be responsible for the protection of Alabama Housing Finance Authority's (AHFA) interests in the mortgages which it has contracted to service and shall indemnify AHFA and hold it harmless from any loss, damage, or expense that AHFA may sustain.

### **Collection**

The Servicer must, to the best of its ability and with due diligence, promptly collect all monthly payments due under the terms of an Eligible Mortgage. The monthly payment includes payment toward principal, real estate taxes, special assessments and fire, hazard and/or flood insurance as applicable.

### **Allocation of Monthly Payment**

The Servicer shall remit the portions of mortgage payments applicable to principal on each eligible mortgage to AHFA no later than the 15th of each month regardless of whether the mortgage payment was collected from the mortgagor. The Servicer shall complete the Transmittal Summary (*Appendix 14*) each month and forward to AHFA, Attn: H.R. Theriot, P.O. Box 242967, Montgomery, AL 36124-2967 along with the Servicer's check for the total monthly remittance. The Servicer shall deposit the remainder of such payment applicable to taxes and insurance premiums in an escrow bank account established for such purpose. Such accounts shall be held in trust for the benefit of both AHFA and the eligible mortgagors and shall be maintained in a depository, approved by AHFA, whose accounts are insured by the Federal Deposit Insurance Corporation.

### **Payment In Full**

1. The Servicer shall determine and accept the amount required to pay a mortgage in full. AHFA will not require a prepayment penalty on any type of loan.
2. Funds in the mortgagor's deposit account or held as unapplied payments should be taken into consideration in determining the amount to be collected from the mortgagor. However, if this is not practical, the total of such funds shall be refunded to the mortgagor promptly in a separate transaction.
3. The Servicer is to have recorded, at the county courthouse in which the real property is located, the properly executed Satisfaction of Mortgage. Funds for recording may be collected at the time the loan is paid in full. The recorded satisfaction and other canceled documents should be sent to the person paying the loan in full.
4. Partial Prepayments (Curtailements): Additional principal payments (principal payment or curtailment in addition to a regular principal installment) may be accepted by the Servicer at any time. Curtailements should be accepted by the Servicer in adherence with an amortization schedule so that the amount applied to principal shall reduce the balance to a scheduled balance on the amortization schedule.

### **Escrow Analysis**

At least annually, the Servicer must review and analyze all escrow accounts to determine the adequacy of the monthly contributions. Following the review, the Servicer should make any necessary adjustments in the monthly contribution to assure the accumulation of sufficient funds to meet all anticipated obligations.

### **Payment of Escrow Items**

The Servicer shall pay from the mortgagor's escrow funds account all taxes and insurance premiums prior to the expiration of any discount period and prior to penalty or termination dates. If the funds held in the mortgagor's escrow funds account are insufficient to pay taxes and insurance premiums when due, the Servicer shall advance its own funds in an amount which, when combined with the amount in the mortgagor's escrow funds account, will be sufficient to make the full payment due.

The Servicer may collect the deficiency from the mortgagor.

### **Waiver of Escrow Requirements**

Under no circumstance will AHFA allow a waiver of the escrow requirements for tax and insurance disbursements.

### **Annual Statements to Mortgagors**

The Servicer shall provide the mortgagor, without charge, an annual statement of the mortgagor's escrow account, setting forth in summary form the balance of the account at the beginning of the year, the total amount deposited into the account by the mortgagor during the year, the amount and nature of disbursement made therefore for the account of the mortgage during the year, and the final balance of the account at year end. In addition, the Servicer shall provide the mortgagor, without charge, a statement at calendar year end as to the total amount of ad valorem taxes paid by the mortgagor during such year.

In addition, if the mortgagor so requests, the Servicer shall provide without charge, a detailed ledger analysis of all transactions affecting the borrower's mortgage payment records and escrow account, showing individual dates, amounts and purpose of each debit and credit to the accounts, including the beginning and ending balances.

### **Change of Ownership**

Loans under the Habitat program are assumable with prior approval of AHFA. The Servicer must request the approval of the assumption in writing in addition to providing appropriate verification that the prospective purchaser meets the necessary requirements of the Loan Purchase Program.

The Servicer will repurchase the loan from AHFA within 60 days of written notification if a property is sold to an ineligible borrower.

### **Advances for Emergency Repairs**

If a property inspection indicates emergency repairs are required to protect the mortgaged property, the Servicer is required to expend the necessary funds, at the Servicer's expense, to bring the property to an acceptable inhabitable standard.

### **Hazard Insurance Requirements**

In accordance with the Servicing Agreement, the Servicer agrees to indemnify AHFA for any loss suffered by AHFA as a result of failure to maintain in effect, with respect to each mortgaged premises, hazard insurance meeting the following minimum requirements:

- a. *Term:* Policies must be for a period of at least one (1) year.
- b. *Rating:* Policies must be insured by an insurance carrier which has a current Best's Insurance Reports rating of Class VI or better. In addition, the carrier must be qualified to do business in Alabama.
- c. *Fire and Extended Coverage:* Policies must afford protection against loss or damage from fire and other hazards covered by the standard extended coverage endorsement in an amount at least equal to the unpaid principal balance of the Eligible Mortgage from time to time outstanding or the maximum insurable value of the improvements, whichever is less.
- d. *Mortgagee Clause:* Policies shall contain a standard mortgagee clause endorsed in favor of Habitat for Humanity and/or its successors or assigns, as its interest may appear.
- e. *Flood Insurance:* If the area in which the mortgaged property is located is one identified by the Secretary of Housing and Urban Development as an area having special flood hazards and the sale of insurance has been made available under the National Flood Insurance Act of 1968, such flood insurance must be maintained in the amount of the outstanding principal balance of the loan or the maximum limit of coverage available under the Act, whichever is less.
- f. *Other Hazards:* Where the Servicer is aware that a mortgaged property is exposed to any appreciable hazard against which Fire and Extended Coverage does not afford protection, the Servicer must

advise of the nature of such hazard and the additional insurance coverage, if any, which should be obtained against such hazard. AHFA may require a Servicer to obtain such additional coverage, in accordance with the terms of the mortgage, as AHFA may determine necessary.

- g. *Deductible*: Policies containing a deductible clause up to \$250 are acceptable where such a provision is mandatory or customary.
- h. *Policy Possession*: The Servicer shall maintain possession of the original copy of hazard insurance policies and endorsements thereto. The Servicer shall give written certification to AHFA each year that insurance policies on all eligible mortgages are in effect.
- i. *Insurance Correspondence*: It shall be the responsibility of the Servicer to notify the insurance companies to deliver all insurance loss drafts, notices, policies, billings, etc. directly to the Servicer rather than to AHFA.
- j. *Uninsurable Properties*: Property is ineligible for the Habitat for Humanity Loan Purchase Program unless the Servicer secures the required coverage.

### **Hazard Insurance Claims**

*Insured Losses*: The Servicer shall be fully responsible for the disbursement of insurance loss settlements. Generally, this responsibility includes but is not limited to the following:

- a. Strict compliance with the provisions relating to such settlements as provided for in the mortgage.
- b. To receive reports of hazard insurance losses and ensure that proof of loss statements are properly filed.
- c. If applicable, to assure the restoration and rehabilitation of the damaged property in cooperation with the mortgagor. All funds received from hazard insurance policies covering payment for insurance losses of real property shall be applied to the restoration of the mortgaged property or in reduction of the outstanding balance of the Eligible Mortgage.
- d. To collect, endorse and disburse the insurance loss proceeds, arranging for progress inspections and payments, if necessary.
- e. To see that the priority of the lien of the mortgage is preserved by complying with all lien laws. Such precautions should include assurances that the loss proceeds are used to pay for the restoration or rehabilitation work, releases or waivers of liens as required by law are obtained, and all other actions necessary to avoid the possibility of labor, material men or mechanic's liens being filed against the property.
- f. Without regard to the amount of the claim, the Servicer shall give AHFA notice of any claim which is contested by either the insurer, or the mortgagor and the Servicer shall not enter into, or incur legal expenses for, litigation with regard to a claim without the express written consent and direction of AHFA.
- g. AHFA does not require that it be named as payee on any insurance loss drafts. The Servicer, however, must be named on all drafts, irrespective of the amount of the loss. The Servicer must have an effective system acceptable to AHFA for the control and disposition of such funds, clearly identifying the mortgagors' account.
  - 1. *Property damage of less than \$2,500*. The Servicer shall visually inspect the completed restoration of property which suffered damage less than \$2,500 and satisfy itself that all repairs are completed prior to distribution of funds.
  - 2. *Property damage of \$2,500 or more*. The Servicer shall visually inspect the completed restoration of property which suffered damage exceeding \$2,500 and shall submit to AHFA, prior to distribution of the insurance proceeds, a report of a satisfactory completion of repairs signed by a responsible employee/officer of the Servicer.



*Uninsured Losses (Earthquake, flood, tornado, etc.):* When a disaster occurs resulting in uninsured losses, the Servicer shall take action to protect AHFA's interest as follows:

- a. Promptly ascertain the extent of damage to the security.
- b. Protect abandoned properties against vandalism and the elements.
- c. Forward a complete report of the finding to AHFA, along with recommendations as to what action should be taken to protect the interest of AHFA and the mortgagor, if not otherwise authorized by this Agreement.
- d. Closely communicate with mortgagors for the purpose of counseling them and providing assistance in the way of forbearance, modification, etc., where warranted, and familiarize mortgagors with any disaster relief programs that are available.

**Rental Property**

AHFA will not allow any mortgage loans purchased under this program to be for the purposes of financing rental property. AHFA will not allow the property to be used as rental property at any time. The property must be owner-occupied at all times.

## ARTICLE IV: SERVICING DELINQUENT ACCOUNTS

### **General**

The Servicer is responsible for the protection of AHFA's investment in the mortgages by maintaining the maximum possible number of mortgages in a current status. Without jeopardizing the interests or legal rights of AHFA, the Servicer is to deal quickly and effectively with those mortgagors who are delinquent to bring the accounts current in the shortest possible time. Particular attention should be paid to the timely receipt of payment from new borrowers. Every effort should be made with new mortgagors to establish a high priority for the timely payment of the monthly installment. All one-installment delinquencies should be given prompt attention since it becomes increasingly more difficult to restore a mortgage to a current condition as the number of past due installments increases. As soon as possible after non-payment of an installment, the Servicer should endeavor to learn the reason(s) for the delinquency so that the plan for curing the delinquency can be mutually agreed upon at an early date to provide time to effect the plan.

### **Guidelines for Dealing With Delinquencies**

Listed below are suggested guidelines for dealing with delinquencies in home mortgages. Some Servicers may employ procedures which differ from those outlined below. AHFA will raise no objection to a Servicer's particular procedures so long as such procedures are adequate and efficient in dealing promptly with delinquencies. Servicers are encouraged to vary their collection programs to fit individual circumstances and avoid the establishment of a fixed routine which may be ineffective in dealing with repeat delinquent borrowers. Good mortgage servicing places a heavy reliance on personal contact, on the phone and in the field. Form letters and notices, while having a place in a servicing program, are not as effective as personal contact.

#### a. Mortgages with payments one to 60 days due and unpaid:

1. The Servicer should review each loan not later than the 15th day;
2. The Servicer should mail a late notice between the 15th and 18th day of delinquency;
3. The Servicer should make telephone contact five days following the late notice;
4. If a satisfactory response is not obtained, the Servicer should make personal contact, and continue to follow with notices, letters, telephone calls, and personal contacts, until the account is current.

#### b. Mortgages with payments more than 61 days due and unpaid:

Servicers are expected to make every effort to make arrangements to cure the delinquency. Unless the mortgagor is permanently absent, a Servicer should have, by this time, held at least two face-to-face interviews with the mortgagor to establish: (1) the reason for the continued default, (2) whether the reason is temporary or permanent, and (3) the attitude of the mortgagor toward the debt. This requires the determination of all sources of income and the existence of any other debts. On or before the due date of the fourth unpaid installment, the Servicer should inspect the property and reach a determination whether (i) to foreclose, or (ii) to allow a definite period for the mortgagor to bring the mortgage current or sell his property to realize any equity or (iii) to take other appropriate action.

#### c. Report by the 120th day:

Should the mortgagor fail to make payment on or before the 120th day, the Servicer must report to AHFA the results of the property inspection and should recommend a course of action appropriate to cure the default. Regardless of the recommendation made, the Servicer must fully document all servicing activities to date and indicate the reason for recommending the course of action chosen.

### **Acceleration**

When a mortgagor is in default and the Servicer has exhausted all reasonable means of inducing the mortgagor to pay on time, the Servicer should recommend acceleration of the mortgage maturity in

accordance with the terms of the mortgage. The basis for the recommendation must be fully substantiated. Any proposal made by the mortgagor for reinstatement with payment of a lesser amount than the full amount of the indebtedness should be referred to AHFA with the Servicer's recommendation.

### **Abandonment**

In all cases of abandonment, a Servicer should attempt to locate the mortgagor and ascertain the reasons for abandonment, and take such proper action as is necessary for the protection of the property to avoid waste, damage, and vandalism (including obtaining, where necessary, a vacancy permit on the hazard insurance policy). With AHFA concurrence, foreclosure may be initiated on abandoned properties. The Servicer should immediately report to AHFA the full results of its investigation and include a recommendation of the action that should be taken. No later than 30 days after sending the required demand letter to the mortgagor, the Servicer must advise AHFA of its findings and recommend disposition of the mortgage. The Servicer is not to assign any mortgage without AHFA's express written authorization.

### **Special Relief Provisions**

The Servicer should employ various forms of relief available wherever appropriate rather than recommending termination of the mortgage. These relief provisions should not be granted unless there is reasonable expectation that the relief granted will result in bringing, and maintaining, the mortgage current. Prior to granting relief as herein provided, the Servicer should inspect the property and discuss face-to-face with the mortgagor(s) the reason for the default. Prior approval by AHFA is required for all relief provisions involving Special Forbearance, or Modification.

### **Special Forbearance**

Special Forbearance is normally a formal arrangement whereby a mortgagor is allowed to reduce or suspend regular monthly installments for a specified period in the anticipation that such action will prevent unnecessary foreclosure and result in curing the delinquency. It may be considered when a default is due to death, illness, natural disaster against which the mortgagor was not adequately protected by insurance, or curtailment of income which results from circumstances beyond the control of the mortgagor. The Servicer should consider execution of a Special Forbearance Agreement only when there is reasonable expectation that the mortgagor will, in the near future, be capable of repaying the delinquency and maintaining monthly payments on a current basis.

The Servicer should propose a Special Forbearance Agreement only after having reviewed in detail the mortgagor's payment history, current financial condition, obligations, and expected future source of income. Repayment terms must be reasonable and realistic in relation to the mortgagor's anticipated income and other obligations.

Should the mortgagor fail to adhere to the terms of the Special Forbearance Agreement, the Servicer should immediately recommend further action.

### **Modification (Sometimes Called Recasting, Extending or Reamortizing the Mortgage)**

A modification or extension of a mortgage involves a change in one or more of the provisions of the mortgage. Modification is neither a privilege to be used at will by the mortgagor nor a device to be used solely to eliminate delinquencies. Modification of the mortgage terms may, however, be used to provide relief to the mortgagor who is unable to meet the original terms of the mortgage due to financial hardship caused by adverse circumstances. The Servicer should never recommend to AHFA that a default be cured by foreclosure without first giving consideration to the possibility that the default could be cured by meritorious use of a modification agreement. Such action should be confined to cases in which modification of the mortgage terms will enable the mortgagor to maintain the account in a current condition and prevent the loss of a home due to adversities.

Acceptable candidates for modification agreements include mortgagors whose income has been permanently affected by accident, illness, incapacity or death of the principal wage earner, and mortgagors whose income has been temporarily curtailed or reduced. Other individual cases may warrant consideration.

When changes in the terms of a mortgage appear to be warranted, the Servicer shall propose to AHFA the terms of the modification. AHFA reserves the right to approve or deny such proposals, at its sole discretion.

The effective date of a modification will be the date the new amortization period begins. Sufficient time should be allowed to obtain approval from AHFA.

## ARTICLE V: LOAN LIQUIDATION PROCEDURES

### **General**

Servicers should not recommend actions to terminate a mortgage until every reasonable effort has been made to arrive at some other solution through forbearance, modification, etc. A decision to recommend foreclosure should be made by the Servicer only after a personal face-to-face interview with the mortgagor, an inspection of the property, and a complete review of the individual circumstances surrounding the default. When a Servicer recommends foreclosure to AHFA, it must comment as to why the default cannot be cured by available relief provisions, rather than by termination of the mortgage through foreclosure.

When the mortgagor displays a disregard for the mortgage obligation, accepted servicing practices require the Servicer to make prudent recommendations to AHFA including liquidation action where necessary to protect its investment. Such recommendations are due on or before the due date of the fourth unpaid installment.

The Servicer should actively continue all efforts to cure the default until approval of the recommended action has been received from AHFA.

If AHFA approves the Servicer's recommendation for foreclosure, AHFA will forward all original mortgage documents to the Servicer along with the foreclosure approval. Upon approval of the foreclosure recommendation, the Servicer is to forward the file to an AHFA-approved attorney for foreclosure.

### **Expense During Foreclosure**

During the foreclosure process, funds in the mortgagor's escrow account may be used to pay hazard premiums, taxes, and other assessments which may become due. Should the funds in the mortgagor's escrow account be inadequate to cover these items, the Servicer shall advance its own funds. The Servicer shall be responsible for its reasonable out-of-pocket expenses incurred and any advances by the Servicer in prosecution of foreclosure or other proceeding.

### **Bidding Instructions**

The Servicer is required to issue bidding instructions to the attorney conducting the foreclosure sale. The Servicer must have the bid amount approved by AHFA prior to the foreclosure sale.

### **Property Management Responsibilities During Foreclosure**

The Servicer shall be responsible for the general management of all properties under foreclosure until custody thereof has been assumed by the Servicer. If the property is otherwise disposed of, the Servicer shall take whatever action is necessary to protect the security for the mortgage including management, maintenance, and in the event the property is vacant, protection against vandals and the elements. This responsibility includes periodic inspections deemed necessary by the Servicer to assure that the property is not being damaged by vandals or the elements.

### **Foreclosure Monitoring**

The Servicer shall incorporate in its internal procedures a thorough and effective system for monitoring foreclosure progress. Such system should assure that each procedural step of a foreclosure case is completed within a reasonable time.

As a part of its monitoring system, the Servicer should have the ability to identify the status of each case, and should maintain well-documented and complete records on all field contact. Such documentation should include, among other things, notations of oral conversations, records of all requests to correct delays or other deficiencies, reports explaining delays, as well as any other documentation.

AHFA does not specify a particular system to be used for monitoring foreclosure. However, the Servicer will be held wholly responsible for any losses.

### **Reinstatements**

Even though foreclosure proceedings may have been initiated, upon recommendation by the Servicer, proposals providing for reinstatement in full, including advances, legal fees, all delinquencies, etc. may be accepted by the foreclosing attorney but may not be declined. Upon receipt of certified funds, the Servicer shall take action to prevent additional foreclosure costs and expenses from being incurred. When a loan is reinstated the foreclosing attorney should be instructed to withdraw foreclosure proceedings and return all mortgage documents to the Servicer. The Servicer should notify AHFA and return the original mortgage documents.

When during foreclosure the mortgagor offers to pay an amount less than the full delinquency (including advances, legal costs, etc.), the Servicer shall advise the foreclosing attorney who will ascertain the amount of foreclosure costs and expenses that have been or will be incurred if the offer is accepted. The foreclosing attorney must obtain AHFA's approval prior to acceptance. The Servicer's advice to AHFA shall include a recommendation whether the foreclosure action should be continued or should be dismissed and, if dismissed, how the remaining delinquency will be cured. If there exists the possibility of sale of a property to a third party during foreclosure, the Servicer shall so advise the mortgagor and shall make a determination as to the feasibility of a mortgage assumption and recovering any advances, legal fees or other costs incurred during foreclosure.

### **Reports from the Servicer to AHFA During Foreclosure**

The Servicer is responsible for processing the foreclosure in accordance with the provisions of all applicable laws and shall follow each step of the foreclosure process to assure completion of the proceedings at the earliest possible date.

### **Title Evidence**

An owner's title policy should be obtained on all foreclosed properties.

### **Acquired Property**

The Servicer shall make regular inspections of the conditions and occupancy of each acquired property and report to AHFA at least monthly.

The Servicer's responsibility for the maintenance, management, security of the property, assistance to AHFA in the sale of the property, as well as all other facets of servicing an acquired property, shall continue until title to the property has been transferred to a third party or AHFA has relieved the Servicer of its responsibility by notification in writing.

### **Foreclosure Reporting**

Each year, by January 31, the Servicer shall submit a report of all foreclosure(s) and abandonment's(s) [IRS form 1096 and 1099A] to the IRS, to each affected borrower and to AHFA. Copies of Form 1099A may be used as the Servicer's statement to borrower and copies of 1096/1099A may be used as the Servicer's statement to AHFA.

### **Maintenance and Security**

The Servicer should use any funds remaining in the mortgagor's escrow deposit to pay taxes, insurance premiums, costs for protection of property and other related costs. If the escrow balance is not sufficient to cover these expenses, the Servicer must advance its own funds. The Servicer must maintain any insurance required, effect the proper endorsements naming AHFA as loss payee and notify the insurance carrier of the changes in occupancy and ownership. If the REO is vacant, the Servicer must investigate the availability and cost of vandalism and malicious mischief insurance and provide a recommendation to AHFA.

ARTICLE VI: MISCELLANEOUS

**Transfer of Servicing Rights**

AHFA will retain the right to transfer the loan servicing functions to another entity or to bring these functions in-house upon the happening of any of the following events:

- a. The Servicer has assigned or delegated its duties or rights hereunder without AHFA approval;
- b. Any representation or warranty of the Servicer shall be found to be false in any material respect;
- c. The Servicer shall be the subject of a decree of any court or order of any supervisory authority for the appointment of a conservator or receiver or liquidator, or shall consent to the appointment of a receiver of all or substantially all of its property, or shall make a general assignment for the benefit of its creditors, or shall admit in writing its inability to pay its debts as they become due, or shall be adjudged a bankrupt or insolvent by a court of competent jurisdiction appointing a receiver, liquidator or trustee of the Servicer or of all or substantially all of its property or approving any petition filed against the Servicer for its reorganization, and such adjudication or order shall remain in force or unstayed for a period of sixty (60) days; and
- d. The Servicer shall fail to perform any of its duties hereunder and shall fail, within (30) days after written notice from AHFA, to correct or cure such failure.

If this Agreement shall be terminated with respect to the Servicer under the provisions of this Section, the Servicer shall make a full accounting and transfer and deliver to or on the order of AHFA all documents and moneys relating to the Eligible Mortgages which are then in its possession under its custody or control, and thereupon all rights and duties of the Servicer shall cease. Notwithstanding any provision in this Agreement to the contrary, AHFA shall not be liable in any respect for the termination of the Servicer for cause or owe any duty to such Servicer if terminated.

**Buyback/Repurchase Provisions**

The Servicer shall have the right to buy back any loan sold to AHFA, subject to mutual consent and benefit of the Servicer and AHFA. In addition, AHFA may require repurchase of any loan found to contain false representations in any material respect. The Servicer will be given a 60-day notice of the repurchase requirement.

**Amendments**

AHFA reserves the right to publish and distribute to the Servicer supplements or amendments to the Servicer's Agreement. AHFA retains the right to revise these guidelines and to discontinue the program at any time without prior notice.

In witness whereof, this Agreement has been executed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

Attest: Habitat For Humanity

Affiliate Name: \_\_\_\_\_

\_\_\_\_\_ By: \_\_\_\_\_

Affiliate President

Attest: Alabama Housing Finance Authority

By: \_\_\_\_\_

\_\_\_\_\_ Executive Director

# APPENDICES

## HABITAT FOR HUMANITY LOAN PURCHASE PROGRAM

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*The following Assignment of Mortgage (HFH-1)  
should be used when assigning the mortgage loan  
from **Habitat** to the **lending institution**.*

ASSIGNMENT OF MORTGAGE

STATE OF ALABAMA  
\_\_\_\_\_ COUNTY

KNOW ALL MEN BY THESE PRESENTS, that \_\_\_\_\_, ("Habitat") for value received to it in hand paid by \_\_\_\_\_, hereinafter called Assignee, does hereby grant, bargain, sell and convey and assign unto the said Assignee that certain mortgage executed to it by \_\_\_\_\_ and recorded in Volume \_\_\_\_\_, Page \_\_\_\_\_, of the records of the Probate Court of \_\_\_\_\_ County, Alabama, together with the debt secured thereby and all right, title and interest in and to the property therein described, without recourse against Habitat.

IN WITNESS WHEREOF, Habitat has caused this conveyance to be signed by \_\_\_\_\_, its \_\_\_\_\_, on \_\_\_\_\_, 20\_\_\_\_.  
By \_\_\_\_\_  
Its President

STATE OF ALABAMA  
\_\_\_\_\_ COUNTY

I, the undersigned, a Notary Public in and for said State in said County hereby certify that \_\_\_\_\_ whose name as \_\_\_\_\_ of \_\_\_\_\_, is known to me, acknowledged before me this day, that, being informed of the contents of the conveyance, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand and official seal on \_\_\_\_\_, 20\_\_\_\_.  
\_\_\_\_\_

NOTARY PUBLIC  
Commission Expires: \_\_\_\_\_

Prepared by: \_\_\_\_\_ Lender's Name: \_\_\_\_\_  
Lender's Address: \_\_\_\_\_

*The following Assignment of Mortgage (HFH-2)  
should be used when assigning the mortgage loan  
from the **lending institution to Alabama Housing Finance Authority.***

ASSIGNMENT OF MORTGAGE

STATE OF ALABAMA  
\_\_\_\_\_ COUNTY

KNOW ALL MEN BY THESE PRESENTS, that \_\_\_\_\_, ("Lender") for value received to it in hand paid by Alabama Housing Finance Authority, hereinafter called Assignee, does hereby grant, bargain, sell and convey and assign unto the said Assignee that certain mortgage executed by \_\_\_\_\_ in favor of \_\_\_\_\_ and recorded in Volume \_\_\_\_\_, Page \_\_\_\_\_, of the records of the Probate Court of \_\_\_\_\_ County, Alabama, and further assigned to the Lender together with the debt secured thereby and all right, title and interest in and to the property therein described, without recourse said Lender.

IN WITNESS WHEREOF, the Lender has caused this conveyance to be signed by \_\_\_\_\_, its \_\_\_\_\_, on \_\_\_\_\_, 20\_\_\_\_.  
By \_\_\_\_\_  
Title \_\_\_\_\_

STATE OF ALABAMA  
\_\_\_\_\_ COUNTY

I, the undersigned, a Notary Public in and for said County in said State, hereby certify that \_\_\_\_\_ whose name as \_\_\_\_\_ of \_\_\_\_\_, is known to me, acknowledged before me this day, that, being informed of the contents of the conveyance, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand and official seal on \_\_\_\_\_, 20\_\_\_\_.  
\_\_\_\_\_

NOTARY PUBLIC  
Commission Expires: \_\_\_\_\_

Prepared by: \_\_\_\_\_ Lender's Name: \_\_\_\_\_  
Lender's Address: \_\_\_\_\_

ALABAMA HOUSING FINANCE AUTHORITY  
HABITAT FOR HUMANITY LOAN PURCHASE PROGRAM

COMMITMENT REQUEST

Below is the Commitment Request for submission to Alabama Housing Finance Authority (AHFA) for the purchase of a loan. Please complete and attach a Letter of Intent to Participate from the lending institution participating with your affiliate. AHFA will issue its Commitment to Purchase based on availability of funds.

---

**Habitat Affiliate Information:**

Habitat Affiliate: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Contact Person: \_\_\_\_\_

Telephone Number: \_\_\_\_\_ Fax Number: \_\_\_\_\_

---

**Loan Information:**

Borrower Name(s): \_\_\_\_\_

Social Security #(s): \_\_\_\_\_

Ethnicity:      American Indian      Asian      Black/African American

Hawaiian/Pacific Islander      Hispanic/Latino      White

Sex;            Male            Female

Property Address: \_\_\_\_\_

\_\_\_\_\_

# in Household: \_\_\_\_\_ Projected Annual Income: \$ \_\_\_\_\_

Original Loan Term: \_\_\_\_\_ Original Loan Amount: \$ \_\_\_\_\_

Remaining Loan Term: \_\_\_\_\_ Outstanding Principal Balance: \$ \_\_\_\_\_

Delivery Date (not to exceed 90 days): \_\_\_\_\_

---

**Authorized Signatures:**

\_\_\_\_\_ Date \_\_\_\_\_

Habitat Affiliate Officer

Date

\_\_\_\_\_ Date \_\_\_\_\_

AHFA-Authorized Signature

Date

ALABAMA HOUSING FINANCE AUTHORITY  
HABITAT FOR HUMANITY LOAN PURCHASE PROGRAM

LOAN SUBMISSION VOUCHER

HABITAT AFFILIATE: \_\_\_\_\_

LOAN NUMBER: \_\_\_\_\_

PROPERTY ADDRESS: \_\_\_\_\_

LOAN AMOUNT: \_\_\_\_\_

Each Habitat affiliate will be required to send the necessary documents to AHFA for loan purchase. Please mark the documents included in your package.

- 1. Copy of note with appropriate endorsements (*Appendix 15*)
- 2. Copy of the mortgage (*Appendix 16*)
- 3. Certified copies of the completed unrecorded assignments, AHFA-1 and AHFA-2 (*Appendices 1 and 2*)
- 4. Copy of the Closing Settlement Statement/HUD-1
- 5. Copy of title commitment with Habitat Affiliate listed as insured and its successors and/or assigns
- 6. Appraisal
- 7. Copy of current paystub or verification of employment and any other income documentation including divorce decrees, SSI, etc. (*see attached VOE, Appendix 8*)
- 8. Copy of three years' federal income tax returns signed by mortgagor
- 9. Copy of any subordinate financing documents (for example: FHLB, Downpayment Assistance Mortgage, HFH equity mortgage, etc.)
- 10. Ledger history evidencing timely payments with current principal balance
- 11. Executed Press Release Authorization (*Appendix 5*)
- 12. Copy of Hazard Insurance with Habitat affiliate listed as insured and its successors and/or assigns
- 13. Residency Agreement (*Appendix 6*)
- 14. Habitat for Humanity Certification: Description of Project (*Appendix 7*)
- 15. Final Survey (if Long Form Title Policy is submitted)
- 16. Occupancy Statement (*Appendix 9*)
- 17. Child Support Statement, if applicable (*Appendix 10*)
- 18. Income Tax Statement, if applicable (*Appendix 11*)
- 19. Employment Statement, if applicable (*Appendix 12*)
- 20. Full-time Student Statement, if applicable (*Appendix 13*)

Each Habitat Affiliate is required to forward the original recorded mortgage, assignments, and title policy to AHFA Loan Administration within 30 days of purchase.

Habitat Officer: \_\_\_\_\_

Phone Number: \_\_\_\_\_ Date: \_\_\_\_\_

## PRESS RELEASE AUTHORIZATION

The undersigned \_\_\_\_\_ and \_\_\_\_\_  
\_\_\_\_\_ (“Homeowner”) and \_\_\_\_\_, the local  
affiliate for Habitat for Humanity, hereby consent and authorize the Alabama Housing Finance  
Authority to use their names and that of Homeowner’s family as well as pictures or other information  
regarding Homeowner’s house for purposes of press releases and other publicity to which the  
Authority may use such information.

The undersigned release the Alabama Housing Finance Authority from all liability in connection with the  
use of Homeowners’ names and/or pictures and information regarding their home for such publicity  
purposes.

Date: \_\_\_\_\_

\_\_\_\_\_  
Habitat for Humanity  
Local Affiliate

\_\_\_\_\_  
Homeowner

\_\_\_\_\_  
Homeowner

### HABITAT FOR HUMANITY RESIDENCY AGREEMENT

I/We \_\_\_\_\_ agree to maintain my single-family home as my principal residence for a period of not less than 15 years. During this 15-year affordability period, should I/we sell, assign or convey the property, I/we understand the following requirements:

- (a) the purchase price of the home must not exceed 95% of the median purchase price for the area per 24 CFR 92.254(a)(2);
- (b) the income of the new owner must be less than 80% of the median income for the area, as determined by HUD with adjustments for smaller and larger families; and
- (c) the home must remain the principal residence of the family throughout the remaining term of the 15-year affordability period.

Signature	Date
-----------	------

Signature	Date
-----------	------

STATE OF ALABAMA  
\_\_\_\_\_ COUNTY

I, the undersigned, a Notary Public in and for said County in said State, hereby certify that \_\_\_\_\_ (print name of signer) whose name is signed to the foregoing instrument and who is known to me, acknowledged before me this day, that, being informed of the contents of the foregoing instrument, he/she executed the same voluntarily on the date hereof.

Given under my hand and official seal on \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
 NOTARY PUBLIC  
 Commission Expires: \_\_\_\_\_



HABITAT FOR HUMANITY CERTIFICATION  
DESCRIPTION OF PROJECT

Home Address: \_\_\_\_\_  
 Owner/Mortgagor: \_\_\_\_\_  
 AHFA Loan #: \_\_\_\_\_  
 Habitat Affiliate: \_\_\_\_\_

In connection with the home described above, the undersigned affiliate of Habitat for Humanity hereby certifies as follows to the Alabama Housing Finance Authority:

(1) The owner/mortgagor of the home contributed not less than one hundred (100) hours of unskilled labor toward the construction of the home prior to the project completion date. The current rate established by the United States Department of Housing and Urban Development for determining the value of unskilled donated or voluntary labor is \$10 per hour.

**\* PLACE N/A IN ALL BLANKS THAT ARE NOT APPLICABLE.**

(2) The number of volunteer labor hours contributed by other individuals than the home buyer on the construction of this home is not less than \_\_\_\_\_ hours of unskilled labor. The current rate established by the United States Department of Housing and Urban Development for determining the value of unskilled donated or voluntary labor is \$10 per hour.

The undersigned hereby certifies that the above information is true, correct and complete on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

By: \_\_\_\_\_  
 Signature  
 \_\_\_\_\_  
 Print Name  
 \_\_\_\_\_  
 Title

STATE OF ALABAMA  
 \_\_\_\_\_ COUNTY

I, the undersigned, a Notary Public in and for said County in said State, hereby certify that \_\_\_\_\_ (print name of signer) whose name as \_\_\_\_\_ (print title of signer) of \_\_\_\_\_ (print name of Habitat for Humanity affiliate), is signed to the foregoing instrument and who is known to me, acknowledged before me this day, that, being informed of the contents of the foregoing instrument, he/she, acting in his/her capacity as such officer and with full authority, executed the same voluntarily on the date hereof, for and on behalf of said affiliate.

Given under my hand and official seal on \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
 NOTARY PUBLIC  
 Commission Expires: \_\_\_\_\_

# Request for Verification of Employment

**Privacy Act Notice:** This information is to be used by the agency collecting it or its assignees in determining whether you qualify as a prospective mortgagor under its program. It will not be disclosed outside the agency except as required and permitted by law. You do not have to provide this information, but if you do not, your application for approval as a prospective mortgagor or borrower may be delayed or rejected. The information requested in this form is authorized by Title 38, USC, Chapter 37 (if VA); by 12 USC, Section 1701 et. seq. (if HUD/FHA); by 42 USC, Section 1452b (if HUD/CPD); and Title 42 USC, 1471 et. seq., or 7 USC, 1921 et. seq. (if USDA/FmHA).

**Instructions:** **Lender** – Complete items 1 through 7. Have applicant(s) complete item 8. Forward directly to employer named in item 1.  
**Employer** – Please complete either Part II or Part III as applicable. Complete Part IV and return DIRECTLY to lender named in item 2.  
 The form is to be transmitted directly to the lender and is not to be transmitted through the applicant(s) or any other party.

**Part I - Request**

1. To (Name and address of employer)	2. From (Name and address of lender)
--------------------------------------	--------------------------------------

I certify that this verification has been sent directly to the employer and has not passed through the hands of the applicant or any other interested party.

3. Signature of Lender	4. Title	5. Date	6. Lender's No. (Optional)
------------------------	----------	---------	----------------------------

I have applied for a mortgage loan and stated that I am now or was formerly employed by you. My signature below authorizes verification of this information.

7. Name and Address of Applicant	8. Signature of Applicant
	X

**Part II – Verification of Present Employment**

9. Applicant's Date of Employment	10. Present Position	11. Probability of Continued Employment
-----------------------------------	----------------------	-----------------------------------------

12A. Current Gross Pay Base (Enter Amount and Check Period)				13. For Military Personnel Only		14. If overtime or Bonus is Applicable, is its Continuance likely?	
<input type="checkbox"/> Annual <input type="checkbox"/> Weekly <input type="checkbox"/> Other (specify _____)				Pay Grade _____		Overtime <input type="checkbox"/> Yes <input type="checkbox"/> No	
\$ _____ <input type="checkbox"/> Monthly <input type="checkbox"/> Hourly				Type   Monthly Amount		Bonus <input type="checkbox"/> Yes <input type="checkbox"/> No	
12B. Gross Earnings				Base Pay   \$ _____		15. If paid hourly – avg. hours per week _____	
Rations   \$ _____				Flight or Hazard   \$ _____		16. Date of applicant's next pay increase _____	
Type	Year To Date	Past Year	Past Year	Clothing   \$ _____		17. Projected amount of next pay increase _____	
Base Pay				Quarters   \$ _____		18. Date of applicant's last pay increase _____	
Overtime				Pro Pay   \$ _____		19. Amount of last pay increase _____	
Commissions				Overseas or Combat   \$ _____			
Bonus				Variable Housing Allowance   \$ _____			
Total							

20. Remarks (If employee was off work for any length of time, please indicate time period and reason)

**Part III – Verification of Previous Employment**

21. Date Hired	23. Salary/Wage at Termination Per (Year) (Month) (Week)		
22. Date Terminated	Base _____	Overtime _____	Commissions _____ Bonus _____
24. Reason for Leaving	25. Positions Held		

**Part IV – Authorized Signature**

Federal statutes provide severe penalties for any fraud, intentional misrepresentation, or criminal connivance or conspiracy purposed to influence the issuance of any guaranty or insurance by the VA Secretary, the U.S.D.A., FmHA/FHA Commissioner, or the HUD/CPD Assistant Secretary.

26. Signature of Employer	27. Title (Please print or type)	28. Date
29. Please print or type name signed in item 26.	30. Phone No.	

**ALABAMA HOUSING FINANCE AUTHORITY**

7460 Halcyon Pointe Drive  
Suite 200  
Montgomery, Alabama 36117  
Mailing Address: Post Office Box 242967  
Montgomery, Alabama 36124-2967-0909  
(334) 244-9200

**OCCUPANCY STATEMENT**

I will occupy the property located at \_\_\_\_\_ as my principal and permanent place of residence and will not rent or lease the property.

I also certify that the number of persons who will occupy the property is \_\_\_\_\_.

The following individuals will occupy the property:

Name: _____	DOB: _____
Name: _____	DOB: _____
Name: _____	DOB: _____
Name: _____	DOB: _____
Name: _____	DOB: _____
Name: _____	DOB: _____
Name: _____	DOB: _____

Please include income documentation (i.e. SSI, child support, wages) for all individuals listed above.

_____	_____
Mortgagor	Co-Mortgagor
_____	_____
Date	Date

Mortgagor understands that it is a federal offense punishable by a maximum of \$10,000 fine, two years imprisonment, or both, to knowingly make a false statement in this affidavit (title 18, United State Code, section 10140). Mortgagor has read information carefully to be sure information contained herein is true and complete before signing. Mortgagor understands that the information given by mortgagor in this affidavit is subject to verification by the Alabama Housing Finance Authority.

**ALABAMA HOUSING FINANCE AUTHORITY**

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 Suite 200  
 Montgomery, Alabama 36117  
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 Montgomery, Alabama 36124-2967-0909  
 (334) 244-9200

**CHILD SUPPORT STATEMENT**

I hereby certify that I have not received child support in the last 24 months and, to my knowledge, none is forthcoming for the below-listed dependent(s):

Child's Name (please print)	Age
	<input type="checkbox"/> I was never married to the mother/father of this child.
	<input type="checkbox"/> I was never married to the mother/father of this child.
	<input type="checkbox"/> I was never married to the mother/father of this child.
	<input type="checkbox"/> I was never married to the mother/father of this child.
	<input type="checkbox"/> I was never married to the mother/father of this child.

\_\_\_\_\_  
 Mortgagor

\_\_\_\_\_  
 Co-Mortgagor

\_\_\_\_\_  
 Date

\_\_\_\_\_  
 Date

Mortgagor understands that it is a federal offense punishable by a maximum of \$10,000 fine, two years imprisonment, or both, to knowingly make a false statement in this affidavit (title 18, United State Code, section 10140). Mortgagor has read information carefully to be sure information contained herein is true and complete before signing. Mortgagor understands that the information given by mortgagor in this affidavit is subject to verification by the Alabama Housing Finance Authority.

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Montgomery, Alabama 36117  
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Montgomery, Alabama 36124-2967-0909  
(334) 244-9200

**INCOME TAX STATEMENT**

I hereby certify that I was not required by law to file a federal income tax return for the following year(s)

\_\_\_\_\_.

\_\_\_\_\_  
Mortgagor

\_\_\_\_\_  
Co-Mortgagor

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

Mortgagor understands that it is a federal offense punishable by a maximum of \$10,000 fine, two years imprisonment, or both, to knowingly make a false statement in this affidavit (title 18, United State Code, section 10140). Mortgagor has read information carefully to be sure information contained herein is true and complete before signing. Mortgagor understands that the information given by mortgagor in this affidavit is subject to verification by the Alabama Housing Finance Authority.

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Montgomery, Alabama 36124-2967-0909  
(334) 244-9200

**EMPLOYMENT STATEMENT**

I am presently unemployed and do not receive income of any type. I do not intend to pursue employment, full or part-time, or anticipate receiving any income for the next twelve months.

\_\_\_\_\_  
Mortgagor

\_\_\_\_\_  
Co-Mortgagor

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

Mortgagor understands that it is a federal offense punishable by a maximum of \$10,000 fine, two years imprisonment, or both, to knowingly make a false statement in this affidavit (title 18, United State Code, section 10140). Mortgagor has read information carefully to be sure information contained herein is true and complete before signing. Mortgagor understands that the information given by mortgagor in this affidavit is subject to verification by the Alabama Housing Finance Authority.

**ALABAMA HOUSING FINANCE AUTHORITY**

7460 Halcyon Pointe Drive  
Suite 200  
Montgomery, Alabama 36117  
Mailing Address: Post Office Box 242967  
Montgomery, Alabama 36124-2967-0909  
(334) 244-9200

**FULL-TIME STUDENT STATEMENT**

I am presently a full-time student and intend to be a full-time student for the next twelve months.

\_\_\_\_\_  
Mortgagor

\_\_\_\_\_  
Co-Mortgagor

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

Mortgagor understands that it is a federal offense punishable by a maximum of \$10,000 fine, two years imprisonment, or both, to knowingly make a false statement in this affidavit (title 18, United State Code, section 10140). Mortgagor has read information carefully to be sure information contained herein is true and complete before signing. Mortgagor understands that the information given by mortgagor in this affidavit is subject to verification by the Alabama Housing Finance Authority.





---

**The Note should be endorsed under the mortgagors' signature or on the back page of the Note as shown below.** The Note is to be endorsed first to the participating bank by the Habitat Affiliate. The second endorsement is from the participating bank to Alabama Housing Finance Authority.

NOTE: Allonges are unacceptable endorsements.

*Example of Note endorsement:*

This verbiage must be typed on the **back** of the first mortgage note.

Without recourse, pay to the order of \_\_\_\_\_ (BANK)

\_\_\_\_\_  
Typed Name  
President  
Habitat For Humanity of \_\_\_\_\_

Without recourse, pay to the order of Alabama Housing Finance Authority.

\_\_\_\_\_  
Typed Name  
Title  
Name of Bank

---

**HABITAT FOR HUMANITY LOAN PURCHASE PROGRAM  
NOTE**

\_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_  
[Date]

\_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_  
[City]

\_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_  
[State]

Property Address: \_\_\_\_\_  
\_\_\_\_\_

**1. BORROWER'S PROMISE TO PAY**

In return for a loan that I have received, I promise to pay U.S. \$\_\_\_\_\_ (this amount is called "Principal"), plus interest, to the order of the Lender. The Lender is

\_\_\_\_\_. I will make all payments under this Note in the form of cash, check or money order.

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 payments under this Note is called the "Note Holder."

**2. INTEREST**

Interest will be charged on unpaid principal until the full amount of Principal has been paid. I will pay interest at a yearly rate of \_\_\_\_\_%.

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

**3. PAYMENTS**

**(A) Time and Place of Payments**

I will pay principal and interest by making a payment every month.

I will make my monthly payment on the \_\_\_\_\_ day of each month beginning on \_\_\_\_\_, \_\_\_\_\_. I will make these payments every month until I have paid all of the principal and interest and any other charges described below that I may owe under this Note. Each monthly payment will be applied as of its scheduled due date and will be applied to interest before Principal. If, on \_\_\_\_\_, 20\_\_\_\_, I still owe amounts under this Note, I will pay those amounts in full on that date, which is called the "Maturity Date."

I will make my monthly payments at \_\_\_\_\_ or at a different place if required by the Note Holder.

**(B) Amount of Monthly Payments**

My monthly payment will be in the amount of U.S. \$\_\_\_\_\_.

**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 not designate a payment as a Prepayment if I have not made all the monthly payments due under the Note.

I may make a full Prepayment or partial Prepayments without paying a Prepayment charge. The Note Holder will use my Prepayments to reduce the amount of Principal that I owe under this Note. However, the Note Holder may apply my Prepayment to the accrued and unpaid interest on the Prepayment amount, before applying my Prepayment to reduce the Principal amount of the Note. If I make a partial Prepayment, there will be no changes in the due date or in the amount of my 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 the interest or other loan charges collected or to be collected in connection with this 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 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) Late Charge for Overdue Payments

If the Note Holder has not received the full amount of any monthly payment by the end of \_\_\_\_\_ calendar days after the date it is due, I will pay a late charge to the Note Holder. The amount of the charge will be \_\_\_\_\_% of my overdue payment of principal and interest. I will pay this late charge promptly but only once on each late payment.

### (B) Default

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

### (C) 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 and all the interest that I owe on that amount. That date must be at least 30 days after the date on which the notice is mailed to me or delivered by other means.

### (D) 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.

### (E) 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 the extent not prohibited by applicable law. Those expenses include, for example, reasonable attorneys' fees.

## 7. GIVING OF NOTICES

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 delivering it or 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.

## 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 amounts 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 protections 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:

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.

WITNESS THE HAND(S) AND SEAL(S) OF THE UNDERSIGNED.

\_\_\_\_\_(Seal)  
- Borrower

\_\_\_\_\_(Seal)  
- Borrower

\_\_\_\_\_(Seal)  
- Borrower

*[Sign Original Only]*

**HABITAT FOR HUMANITY LOAN PURCHASE PROGRAM**

After Recording Return To:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_ [Space Above This Line For Recording Data] \_\_\_\_\_

**MORTGAGE**

**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) "Lender" is \_\_\_\_\_. Lender is a \_\_\_\_\_ organized and existing under the laws of \_\_\_\_\_. Lender's address is \_\_\_\_\_. Lender is the mortgagee under this Security Instrument.

(D) "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 \_\_\_\_\_.

(E) "Property" means the property that is described below under the heading "Transfer of Rights in the Property."

(F) "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.

(G) "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]:

- Adjustable Rate Rider       Condominium Rider       Second Home Rider
- Balloon Rider       Planned Unit Development Rider       Other(s) [specify] \_\_\_\_\_
- 1-4 Family Rider       Biweekly Payment Rider

(H) "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.

(I) "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.

(J) "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.

(K) "Escrow Items" means those items that are described in Section 3.

(L) "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.

(M) "Mortgage Insurance" means insurance protecting Lender against the nonpayment of, or default on, the Loan.

(N) "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.

(O) "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.

(P) "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 irrevocably mortgages, grants and conveys to Lender, with power of sale, the following described property located in the

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

which currently has the address of \_\_\_\_\_  
 \_\_\_\_\_, Alabama \_\_\_\_\_ ("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 COVENANTS that Borrower is lawfully seised of the estate hereby conveyed and has the right to 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

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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

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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

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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

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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

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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

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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

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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

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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 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 power of sale, Lender shall give a copy of a notice to Borrower in the manner provided in Section 15. Lender shall publish the notice of sale once a week for three consecutive weeks in a newspaper published in \_\_\_\_\_ County, Alabama, and thereupon shall sell the Property to the highest bidder at public auction at the front door of the County Courthouse of this County. Lender shall deliver to the purchaser Lender's deed conveying the Property. Lender or its designee may purchase the Property at any sale. Borrower covenants and agrees that 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 release 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.

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

\_\_\_\_\_ (Seal)  
- Borrower

\_\_\_\_\_ [Space Below This Line For Acknowledgment] \_\_\_\_\_



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