PARTICIPATION LOAN POOL AGREEMENT

[NAME OF CDFI]

Loan Participation Program

THIS PARTICIPATION LOAN POOL AGREEMENT is made as of , 2008 by and among [NAME OF CDFI] or (“Originator”) and the Participants identified on the signature page attached hereto (each, “Participant” and collectively, the “Participants”) to provide for the funding of eligible loans originated through Originator and to delineate the rights, duties, and liabilities of Originator and Participants in relation to the making and servicing of those loans and the ownership interest of parties in those loans.

In consideration of the mutual covenants and agreements contained in this Participation loan Pool Agreement (the "Agreement"), Originator and each Participant agrees as follows:

DEFINITIONS

(a) Applicable Interest Rate. "Applicable Interest Rate" means that the annual interest rate which will initially be a fixed rate, equal to the rate charged by the Housing Finance Agency's Fixed Rate “Move” Program for the Borrower's first 7 years of the mortgage which excludes mobile home financing. Beginning with the first Change date, the interest rate will be based on an Index plus a margin. The "Index" is the weekly average yield on United States Treasury securities adjusted to a constant maturity of one year plus one (1.0%) percentage point's margin, as made available by the Federal Reserve Board. The most recent Index figure available as of the date 45 days before each Change Date is called the “Current Index”.

   If the index is no longer available, the Note Holder will choose a new index which is based upon comparable information. The Note Holder will provide notice of this change.

   The interest rate will never be increased or decreased on any single Change Date by more than one percentage point (1.0%) from the rate of interest for the preceding 12 months. Example, based upon the initial interest rate of 6.30% as determined by the HFA Fixed “Move” Rate as of November 20, 2008, the interest rate at the first Change Date will not be greater than 7.30% or less than 5.30%. The interest rate will never be greater than 12.30% or less than 4.30% over the life of the loan.

(b) Credit Committee. "Credit Committee" means a committee established by Originator's Board of Directors which will consist of one representative from each Participating Financial Institution and existing members of the Loan Committee of [CDFI].
(c) Day. "Day" means any day during which the Federal Reserve Bank of Boston is open.

(d) Funding Commitment(s). "Funding Commitment" means a commitment from a Participant to contribute to the Loan Pool Fund and purchase Participation Interests in Loans made from the Loan Pool Fund. Each Participant's Funding Commitment and the total of all Funding Commitments are indicated in Exhibit A of this Agreement.

(e) Funding Date. "Funding Date" means that date of which Originator notifies the respective Participant to contribute to the Loan Pool Fund pursuant to Section 4 below.

(f) Loan. "Loan" means a loan originated and funded under this Agreement.

(g) Loan Documents. "Loan Documents" mean the application (1003) and all material documents pertinent to a Loan, including, but not limited to, borrower note, the mortgage, adjustable rate rider and other writings executed or to be executed in connection with the Loan.

(h) Loan Fund. "Loan Fund" means a separate fund to be used by Originator solely for the purpose of funding Loans under this Agreement.

(i) Month. "Month" means a calendar month.

(j) Participation Certificate. "Participation Certificate" means a certification in the form attached hereto as Exhibit B to this Agreement.

(k) Participation Interest. "Participation Interest" means a 100% undivided beneficial ownership interest in a Loan and in the Loan Documents securing or supporting the same and the rights hereunder.


(m) Policy Committee. "Policy Committee" means a committee approved by Originator's Board of Directors & the Participation Loan Pool Partners, also referred to herein as the Credit Committee, which shall consist of one voting representative from each Participating Financial Institution.

1. Loan Fund. Originator agrees to establish and administer the Loan Pool Fund to provide financing to individuals and properties qualified under this Agreement.

2. VOTING. Each voting member of the Credit Committee will have one (1) vote. The presence of a majority of voting members is sufficient to conduct any business of the Credit Committee.
3. PARTICIPANT’S COMMITMENT TO LOAN FUND

(a) Amount of Commitment. Each Participant agrees to provide the sum of its respective Funding Commitment which sum will be used to fund loans and Purchase Participation Interests in accordance with the terms of this Agreement. The obligations of each Participant to make their respective Funding Commitments hereunder shall be several and not joint. Funding Commitments will be in a minimum amount or multiples of Two Hundred and Fifty Thousand Dollars ($250,000.00) with each commitment representing one (1) “Unit”, (i.e. $250,000.00 = one (1) unit).

(b) Term of Commitment. Subject to the terms of Section 7 hereof, each Participant’s Funding Commitment shall remain in effect until the earlier of (i) that date eighteen (18) months from the date of this Agreement, or (ii) the date the full amount of the total of all Funding Commitments has been paid into the Loan Fund in accordance with Section 4 of this Agreement.

4 ORIGINATION OF LOANS; TRANSFER OF FUNDING COMMITMENT TO LOAN FUND

(a) Loan Underwriting and Approval. Originator will accept applications for Loans and will apply the underwriting guidelines established by and in accordance with the Housing Finance Agency. Other underwriting standards or characteristics, or modifications of underwriting standards or characteristics, may be established by unanimous vote of the Credit Committee. Approval of a Loan will be by a majority vote of the Credit Committee. Originator will warrant and represent that each Loan has been duly executed by the borrower and will be serviced in compliance with all applicable state and federal laws and regulations including, but not limited to, the Truth-in-Lending Act, the Real Estate Settlement Procedures Act and in accordance with [CDFI]'s Loan Servicing Policies & Procedures Originator will further warrant and represent that each Loan has been made in compliance with the standards set by VHFA, the [CDFI] Credit Committee and Participation Loan Pool Partners.

(b) Originator shall make no other warranties as to:

(i) The solvency or financial condition of the borrower;

(ii) Any documents, representations, or statements made in or provided by the borrower, provided they were received in good faith and Originator had no reason to believe they are not true and accurate;

(iii) The performance of any of the obligations of a borrower under the Loan Documents; or

(iv) The value of any collateral for repayment of Loans.
(c) **Rotation Procedure for Funding of Loan.** For purposes of ease of administering the Loan Pool Fund, each Participant agrees that it shall fund up to one hundred percent (100%) of an approved Loan on a per Unit successive rotating basis (the "Funding Participant") until the respective Funding Commitment of each Participant has been completely contributed to the Loan Fund e.g. Bank #1 listed on Exhibit A has 2 units, Bank #2 listed on Exhibit A has 1 Unit. Bank #1 shall fund into the Loan Pool Fund an amount equal to the entire amount of the first approved Loan with the other Participants funding zero (0). Bank #1 shall fund into the Loan Pool Fund an amount equal to the entire amount of the second approved loan with the other Participants funding zero (0). Bank #2 shall fund into the Loan Pool Fund an amount equal to the entire amount of the third approved Loan with the other Participants funding zero (0), etc. Once each Participant has funded into the Loan Pool Fund on a per Unit successive rotating basis, then the rotation of Funding Participants shall start at the top of the list of Participants on Exhibit A. In the case where a Participant’s remaining Funding Commitment is not sufficient to fund the next successive approved Loan, (a "Forfeiting Participant"), then the next Participant listed on Exhibit A shall fund into the Loan Pool Fund an amount equal to the entire amount of the approved Loan, and the next successive approved Loan may be funded into the Loan Pool Fund by such Forfeiting Participant if such Participant has a sufficient remaining Funding Commitment.

(d) **Loan Documentation.** Loans will be evidenced by a Note in substantially the form included as Exhibit C to this Agreement. It is intended that, following approval by the Credit Committee, each Loan will be closed by Originator after receiving the Loan Funds from the Funding Participant as more fully set forth in Section 4C. Nothing in this document shall be deemed to require Originator to fund any Loan until it receives the Loan Funds from the Funding Participant.

(e) **Information Transmitted to Participants Prior to Funding.** At least three (3) days prior to the Funding Date, Originator will:

(i) Notify the Funding Participant of the amount of any funds to be paid to the Loan Pool Fund by such Participant from its Funding Commitment on or before the Funding Date. The amount required will be equal to one hundred percent (100%) of the respective approved Loan being funded as set forth above.

(ii) Provide the Funding Participant with the following information with regard to each Loan to be funded:

(iii) The name of the borrower and address of the property;

(iv) Loan purpose;

(v) Loan amount, brief collateral description and other loan terms; and

(vi) The anticipated Closing Date for the Loan.
5. **SALE AND PURCHASE OF PARTICIPATION INTERESTS.**

(a) Participation Interest to be purchased with Funds Provided to Loan Pool Fund. When a Loan is funded from the Loan Pool Fund, the amount provided to the Loan Pool Fund by the applicable Participant will be applied to purchase the Interest in the full amount of the loan approved by the Credit Committee.

6. **LOAN SERVICING. – Exhibit D**

(a) **Possession and Inspection of Loan Documents.** Originator will hold the original Loan Documents, which will be maintained by Originator for the benefit of the applicable Participants having an ownership interest in the Loan. After a Loan has been closed and funded, Originator will send the applicable Participant true and complete copies of the Loan Documents. As long as a Loan is outstanding and such Participant continues to have a Participant Interest in that Loan, such Participant's agents, employees, attorneys, accountants, auditors and examiners may, upon reasonable advance notice, examine any instruments, documents or records held or maintained by Originator or any of its agents in connection with the Loan, during Originator's regular business hours. Loan Documents shall be maintained in a secure, fireproof location. Originator will warrant and represent that each Loan has been duly executed by the borrower and will be serviced in compliance with all applicable state and federal laws and regulations including, but not limited to, the Truth-in-Lending Act, the Real Estate Settlement Procedures Act and in accordance with [CDFI]'s Loan Servicing Policies & Procedures. Originator will further warrant and represent that each Loan has been made in compliance with the standards set forth by VHFA, the [CDFI] Credit Committee and the Participation Loan Pool Participants pursuant to Section 4.

(b) **Loan Administration.** Originator shall use good faith and due diligent efforts to collect all payments under the terms of the Loan Documents as they become due and payable, and will act in good faith and use due diligence to obtain compliance with all other material terms of the Loan Documents. Originator will maintain accurate records of payment of principal, interest, and other charges, and the outstanding balance on each Loan. In exercising its duties under this Agreement, Originator will use the same care as reasonable and prudent lenders and servicer's in the State of XX. All servicing decisions shall be made by the Originator consistent with Originator's Loan Servicing Policies & Procedures and under the direction and control of the Credit Committee and Participants, including but not limited to decisions pertaining to
acceleration of the debt, foreclosure and repair, maintenance and sale of any collateral acquired as a result of default by any borrower. The Credit Committee may make servicing decisions by a majority vote. Originator will pay collection costs and maintenance and sale costs of any collateral obtained as a result of a default on a Loan, and will be reimbursed for these costs from such sale, if any, prior to the disbursement of proceeds for payment to and satisfaction for the Participant's interest in the property. In the event of default and subsequent sale of the property, there are insufficient funds to satisfy all debts associated with collection efforts, all Participants agree to share based upon their loan deficient share \((\text{see exhibit A})\) the cost of reimbursement to the Originator for the remaining outstanding expenses associated with collections. \([\text{CDFI}]\) will be compensated at a rate of $6.00 per loan per month for each loan serviced on behalf of the Participation Loan Pool. Servicing fees will be remitted on a quarterly basis.

(c) Monies and Property Received. Originator will receive on its behalf and in trust for the Participants, all recoveries, of principal or payments of interest and other recoveries, payments and repayments on account of a Loan or in any way pertaining to a Loan or the security for a Loan. Interest due by the borrower will be calculated for the number of days principal is unpaid on the basis of a 360 day year, counting each day as one thirtieth of a month and disregarding differences in lengths of months and years. All funds received pertaining to a Loan, until distributed to Participants, shall be held in a trust account with other assets or accounts of originator. Such account shall be an FDIC insured account in a financial institution in the State of XX.

(d) Payment to Participants. Any amounts to be distributed by Originator to any Participant shall be limited to funds actually received and collected by Originator for those purposes from the Borrower. From each payment received by Originator with respect to each Loan, Originator shall be entitled to retain any late fees. With regard to the remaining portion of each of the collected payments under the Loan Documents, Originator shall remit to the applicable Participant that principal and interest portion of the payment equal to the Participant's Share.

(1) Loan Payments collected with regard to each applicable Loan shall be applied in the following order:

- Toward any late fees;
- When applicable, toward taxes & insurance;
- Toward interest due under the Loan at the Applicable Interest Rate;
- Toward principal;

(2) Any construction escrow balance remaining after construction will be applied to principal.
(3) Remittances due to the Participants under this paragraph shall be paid monthly between the 15th and 22nd and will include a loan transmittal summary of loan repayments.

(e) Periodic Reports. Each periodic payment made to Participants under paragraph (d) of this Section 6 will be accompanied by a report identifying each outstanding Loan and providing the following information with regard to such Loans: the interest and the principal payment amount received; the amount of interest paid to the Participant; the amount of principal paid to the Participant; and any additional information which may be reasonably required by the Participants. If a loan is delinquent or in default under the terms of the Loan Documents, the report will also describe the action being taken to correct the delinquency or default.

7. DEFICIENT LOANS.

(a) With regard to any Loan that is in default, if the Credit Committee determines that (i) the enforcement of the Loan Documents with regard to such Loan would not be reasonably prudent or would not likely result in proceeds that would exceed the fees, costs and expenses associated with foreclosure and/or liquidation of collateral, or (ii) the proceeds received from the acceleration of debt with regard to such Loan, foreclosure and or liquidation of such related collateral after being applied towards the defaulting Loan would result in a deficiency on such Loan (a “Deficient Loan”), then Originator shall provide written notice to each Participant describing the Deficient Loan and the remaining outstanding balance of said Deficient Loan (“Notice of Loss”). Upon the date of the Notice of Loss, Originator shall be deemed (without any further action on its part) to have sold to each Participant, and each such Participant shall be deemed to have purchased from Originator a Participation Interest in the Deficient Loan in an amount equal to the Participant's Share of the Deficient Loan as listed on Exhibit A. Each Participant other than the initial Participant already participating at a one hundred percent (100%) level on the Deficient Loan (the "Loss Participant"), shall within two (2) Days of the date of the Notice of Loss pay to Originator the purchase price of its Participation Interest, which shall be the applicable Participant's Share of the Deficient Loan times the remaining outstanding amount under the Deficient Loan. Originator shall pay the sums received from the Participants for the purchase price of the Deficient Loan to the Loss Participant, resulting in the Loss Participant holding a Participation Interest in the Deficient loan equal to the applicable Loss Participant's Share of the Deficient Loan.

(b) If any Participant has funded its entire Funding Commitment into the Loan Fund or its Funding Commitment has terminated (as set forth in Section 3 hereof) and such Participant does not have the necessary remaining Funding Commitment available to pay the purchase price for its Participation Interest in the Deficient Loan (as set forth in Section 7 (a) above), then such Participant shall either:
(i) provide additional funds to Originator beyond its Funding Commitment to pay such purchase price OR

(ii) sell its one hundred percent (100%) Participation Interest in another Loan (which is not in default or a Deficient Loan) to another Participant which has an available remaining Funding Commitment, and shall use the proceeds of such sale to pay its purchase price for its Participation Interest in the Deficient Loan.

8. **NATURE OF PARTICIPATION INTEREST.** The Participation Interest owned by any Participant and others participating in the Loan shall be ratably concurrent.

9. **ASSIGNMENT OF INTEREST.** Any Participation Interest and Participant's rights and duties under this Agreement may not be assigned or transferred in whole or in part without the prior written consent of Originator, which consent will not be unreasonably denied. Originator's rights and duties under this Agreement may be assigned or transferred in whole or in part by unanimous vote of the Credit Committee. This includes, but is not limited to, an event whereby Originator ceases to exist, becomes insolvent, files for bankruptcy, has an involuntary petition in bankruptcy filed against it or is in default under the Agreement.

10. **REPURCHASE OF PARTICIPATION INTEREST BY ORIGINATOR.** Originator retains the right, but not the obligation, to buy back a Participation Interest from any or all Participants at the value at the time of repurchase of outstanding principal balance of the Loan times the Participant's Share, plus any accrued interest, at the Applicable Interest Rate.

11. **MISCELLANEOUS PROVISIONS.**

   (a) **Annual Report of Originator.** On an annual basis, Originator will provide Participants with a certified audit to include a balance sheet, statement of operations, and a statement of sources and applications of funds for the fiscal year ended. Financial reports so provided shall be prepared in accordance with generally accepted accounting principles consistently applied.

   (b) **Fidelity Insurance.** Originator will keep in force, at its own expense, a broad coverage of insurance, issued by an insurer authorized to do business in STATE to protect Originator against loss caused by any dishonest, fraudulent or criminal act of any officer, director, employee or agent of Originator.

   (c) **Independent Decision.** Liability of Originator. Except as expressly set forth in this Agreement, each Participant warrants that it has exercised its own credit judgment with respect to this transaction before accepting this Agreement, and that in making that decision it did not rely on any statement or representation by Originator or any of its Officers, employees or agents, except as contained in this Agreement, which contains the entire agreement among the parties regarding the making and funding of Loans and the purchase of Participation Interests.
(d) **Nature of Relationship Liability of Parties to One Another.** The relationship between Originator and each Participant is solely that of independent contractors and is not intended by virtue of this Agreement to create any partnership or joint venture between them with respect to any Loan or otherwise. Originator and Participant agree that they shall not be liable to each other or to any other Participant for any action taken hereunder in good faith, absent willful misconduct or gross negligence. In the event that any Participant or Originator fails to perform its obligations under the Agreement, the Participants and Originator shall have all of the rights and remedies provided or available at law or in equity. Originator does not assume and shall not have any liability to any Participant for repayment of the Participant's investment in the Participation Interest or the validity of any collateral under the Loans unless Originator engaged in gross negligence or willful misconduct in the performance of its duties and responsibilities under this Agreement. Originator and each Participant acknowledge and agree that this Agreement shall not create or give rise to a borrower/lender relationship between them, create a partnership or joint venture between them, or impose a trust relationship between them or impose a fiduciary duty upon Originator. By execution and delivery of this Agreement, each Participant further acknowledges that Originator has not made and does not hereby make any representations or warranties to any Participant, except as specifically and expressly set forth in this Agreement. Originator shall not be liable for any error of judgment nor for any action taken or omitted to be taken by Originator except for willful misconduct or gross negligence and in no event shall Originator be liable for consequential damages. Without limiting the generality of the foregoing, Originator:

- may consult with legal counsel, independent certified public accountants and other experts selected by Originator and shall not, in any event, be liable for any action taken or omitted to be taken in good faith by Originator in accordance with the advice of such counsel, accountants or experts; and

- makes no warranty or representation and shall not be responsible for any statement, warranty or representation made in or in connection with the Loan Documents (other than as expressly set forth herein) or respecting the financial condition of any borrower or for the value of any collateral hereunder.

(e) **Compliance Warranty.** Originator warrants to the Participants that all federal and state lending, consumer and collection laws and regulations shall be complied with in Originator's loan origination and loan servicing. If Originator fails to comply, the affected Participants may suspend their Funding Commitment and may pursue any action they may have at law or equity for indemnification.
(f) **Notices.** All notices hereunder shall be in writing and personally delivered or sent by facsimile, telex, telecopy, telegram or the equivalent, overnight express carrier or by United States mail, first class or certified mail, postage prepaid, and addressed to the parties hereto at the addresses set forth below, or at such other address any party shall hereafter inform the other parties hereto by written notice given as aforesaid. All notices so given shall be deemed effective upon receipt or, if mailed, upon the earlier to occur of receipt or the expiration of the second day following the date of mailing, except that any notice of change in address shall be effective only upon receipt.

(g) **Governing Law.** This Agreement, the Loans and the Participation Certificate will be governed, and construed in accordance with, the laws of the State of XX.

(h) **Amendments.** Unless otherwise indicated in this Agreement, this Agreement may be amended only in written form, signed by the Participants and Originator, and no oral representation or modification shall be binding on either party regardless of any reliance thereon by the other.

(i) **Authority to Act.** Each of Originator and each Participant warrants and represents that it has the requisite power and authority to enter into and to perform all of its obligations under this Agreement and that it has performed all acts and obtained all approvals necessary to make this Agreement a valid, binding legal obligation, enforceable in accordance with its terms.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, each party has caused this Agreement to be signed and executed on by its proper officers duly authorized.

[Signatures of CDFI and Lenders follow]
EXHIBIT B
Participation Certificate

This Participation Certificate is given by [CDFI] to (Lender Participant) to evidence participation of the following lender or lenders in a loan of $50,000.00 to ("Borrower"): Sample PLP

Bank Name Dollars Advanced

Said loan is evidenced by a Promissory Note as follows: Face amount of $50,000.00 dated __________, 2008 with interest at the rate of % 6.30 per annum, and payable in 360 monthly installments of principal and interest in the amount of $324.30 each, followed by one installment of the then outstanding balance plus interest.

The Note is secured by a [second] Mortgage on real estate located at (address of property). [CDFI] as originating lender holds the Note and Mortgage duly executed by Borrower for name of bank goes here ABC Bank in the full amount of the loan. This Participation Certificate is given pursuant to the Participation Loan Pool Agreement dated __________, 2008, as the same may be amended, modified and/or restated among [CDFI] and the participating lenders. Certain loans may be funded by a single lender under the Participation Loan Pool Agreement; nonetheless, all loans are subject to the terms of the Participation Loan Pool Agreement.

If there is any change in the name or extent of participation of any participating lender, all Participation Certificates shall be amended accordingly by issuance to each lender of a supplemental certificate or of a new and substituted Participation Certificate.

IN WITNESS WHEREOF, [CDFI] has caused this Participation Certificate to be executed on its behalf by its duly authorized officer this day of December ____, 2008.

[Signatures]
ADJUSTABLE RATE NOTE
Participation Loan Pool 7/1 ARM
(One Year Treasury Index – Rate Caps)

THIS NOTE CONTAINS PROVISIONS ALLOWING FOR CHANGES IN MY INTEREST RATE AND MY MONTHLY PAYMENT. THIS NOTE LIMITS THE AMOUNT MY INTEREST RATE CAN CHANGE AT ANY ONE TIME AND THE MAXIMUM RATE I MUST PAY.

Borrower(s): Sample PLP
Property Address:
Mailing Address:

Dated this ______________, 2008 at [LOCATION]

1. BORROWER’S PROMISE TO PAY

   In return for a loan I have received, I promise to pay Fifty Thousand dollars and no/100th U.S. ($50,000.00), known as “principal”, plus interest, to the order of the Lender. The Lender is [CDFI]. 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 five point six five percent (5.65%). The interest rate I will pay will change in accordance with Section 4 of this Note.

   The interest rate required by this Section 2 and Section 4 of this Note is the rate I will pay both before and after any default described in Section 7(B) of this Note.

3. PAYMENTS

   (A) Time and Place of Payments

   I will pay principal and interest by making payments every month.

   I will make my monthly payments on the first day of each month beginning on ______________, 2008. I will make these payments every month until I have paid the entire principal and interest and any other charges described below that I may owe under this Note. My monthly payments will be applied to interest before principal. If, on August 1, 2038, 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 [CDFI], or at a different place, if required by the Note Holder.

   (B) Amount of My Initial Monthly Payments

   Each of my initial monthly payments will be in the amount of Two Hundred Eighty Eight dollars and sixty two/100 U.S. ($288.62). This amount may change.

   (C) Monthly Payment Changes
Changes in my monthly payment will reflect changes in the unpaid principal of my loan and in the interest rate that I must pay. The Note Holder will determine my new interest rate and the changed amount of my monthly payment in accordance with Section 4 of this Note.

4. INTEREST RATE AND MONTHLY PAYMENT CHANGES

(A) Change Dates

The interest rate I will pay may change on the first day of August 1, 2015 and on that day every 12 months thereafter. Each date on which my interest rate could change is called a “Change Date”.

(B) The Index

Beginning with the first Change date, my interest rate will be based on an Index. The “Index” is the weekly average yield on United States Securities adjusted to a constant maturity of one year, as made available by the Federal Reserve Board. The most recent Index figure available as of the date 45 days before each Change Date is called the “Current Index”.

If the Index is no longer available, the Note Holder will choose a new index which is based upon comparable information. The Note Holder will give me notice of this choice.

(C) Calculation of Changes

Before each Change Date, the Note Holder will calculate my new interest rate by adding one & 000/1000 percentage points (1.000%) to the Current Index. The Note Holder will then round the result of this addition to the nearest one/eighth of one percentage point (0.125%). Subject to the limits stated in section 4(D) below, this rounded amount will be my new interest rate until the next change date.

The Note Holder will then determine the amount of the monthly payment that would be sufficient to repay the unpaid principal that I am expected to owe at the Change Date in full on the maturity date at my new interest rate in substantially equal payments. The result of this calculation will be the new amount of my monthly payment.

(D) Limits on Interest Rate Changes

The interest rate I am required to pay at the first Change Date will not be greater than 7.30% or less than 5.30%. Thereafter my interest rate will never be increased or decreased on any single Change Date by more than one percentage point (1.0%) from the rate of interest I have been paying for the preceding 12 months. My interest rate will never be greater than 12.30% or less than 4.30% over the life of the loan.

(E) Effective Date of Changes

My new interest rate will become effective on each Change Date. I will pay the amount of my new monthly payment beginning on the first monthly payment date after the Change Date until the amount of my monthly payment changes again.

(F) Notice of Changes

The Note Holder will deliver or mail to me a notice of any changes in my interest rate and the amount of my monthly payment before the effective date of any change. The notice will include information required by law to be given me and also the title and telephone number of a person who will answer any question I may have regarding the notice.
5. **BORROWER'S RIGHT TO PREPAY**
   I have the right to make payments of principal at any time before they are due. A payment of principal only is known as a “prepayment”. When I make a prepayment, I will tell the Note Holder in writing that I am doing so.

   I may make a full prepayment or partial prepayments without paying any prepayment charge. The Note Holder will use all of my prepayments to reduce the amount of principal that I owe under this Note. If I make a partial prepayment, there will be no changes in the due dates of my monthly payments unless the Note Holder agrees in writing to those changes. My partial prepayment may reduce the amount of my monthly payments after the first Change Date following my partial prepayment. However, any reduction due to my partial prepayment may be offset by an interest rate increase.

6. **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: (i) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (ii) any sums already collected from me which exceeded permitted limits will be refunded to me. The Note Holder may choose to make this refund by reducing the principal I owe under this Note or by making a direct payment to me. If a refund reduces principal, the reduction will be treated as a partial payment.

7. **BORROWER'S FAILURE TO PAY AS REQUIRED**
   (A) Late Charges for Overdue Payments
   If the Note Holder has not received the full amount of any monthly payment by the end of fifteen (15) 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 $5.00 or 5% of my overdue payment of principal and interest, whichever is greater. 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 in that amount. That date must be at least 30 days after the date on which the notice is delivered or mailed to me.

   (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.

8. **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 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.

9. 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 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.

10. 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.

11. 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 as this Note, protects the Note Holder from possible losses which might result if I do not keep the promises which I made 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 these conditions are described as follows:

Transfer of the Property or a Beneficial Interest in Borrower. If all or any part of the Property or any interest in it is sold or transferred (or if a beneficial interest in Borrower is sold or transferred and Borrower is not a natural person) without Lender’s prior written consent, Lender may, at its option, require immediate payment in full of all sums secured by this Security Instrument. Lender also shall not exercise this option if: (a) Borrower causes to be submitted to Lender information required by Lender to evaluate the intended transferee as if a new loan were being made to the transferee; and (b) Lender reasonably determines that Lender’s security will not be impaired by the loan assumption and that the risk of a breach of any covenant or agreement in this Security Instrument is acceptable to Lender.

To the extent permitted by applicable law, Lender may charge a reasonable fee as a condition to Lender’s consent to the loan assumption. Lender may also require the transferee to keep all the promises and agreements made in this Note and in this Security Instrument unless Lender releases Borrower in writing.
If Lender exercises the option to require immediate payment in full, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is delivered or mailed within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies by this Security Instrument without further notice or demand on Borrower.

NOTICE TO CO-SIGNER
Your signature on this Note means that you are equally liable for repayment of this loan. If the Borrower does not pay, the Lender has a legal right to collect from you.

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

____________________________ Date:

____________________________L.S. , Borrower
Witness

____________________________ Date:

, Borrower

ADJUSTABLE RATE RIDER

THIS ADJUSTABLE RATE RIDER is made this day of , 2008, and is incorporated into and shall be deemed to amend and supplement the Mortgage, Deed of Trust, or Deed to Secure Debt (the “Security Instrument”) of the same date given by the undersigned, Sample PLP client , , (the “Borrower”) to secure Borrower’s Adjustable Rate Note to [CDFI] (the “Lender”) of the same date the of , 2008 (the “Note”) and covering the property described in the Security Instrument and located at:

(Property Address)

The Note contains provisions allowing for changes in the interest rate. If the interest rate increases, the Borrower’s monthly payments will be higher. If the interest rate decreases, the Borrower’s monthly payments will be lower.

Additional Covenants, In addition to the covenant and agreements made in the Security Instrument, Borrower and Lender further covenant and agree as follows:
A. INTEREST RATE AND MONTHLY PAYMENT CHANGES

The Note provides for an initial interest rate of 6.30%. Section 4 of the Note provides for changes in the interest rate and the monthly payments, as follows:

4. INTEREST RATE AND MONTHLY PAYMENT CHANGES

(A) Change Dates

The interest rate I will pay may change on the first day of __________, 2015 and on that day every 12 months thereafter. Each date on which my interest rate could change is called a "Change Date".

(B) The Index

Beginning with the first Change date, my interest rate will be based on an Index. **The “Index” is the One Year United States Treasury Bill.** The most recent Index figure available as of the date 45 days before each Change Date is called the “Current Index”.

If the Index is no longer available, the Note Holder will choose a new index which is based upon comparable information. The Note Holder will give me notice of this choice.

(C) Calculation of Changes

Before each Change Date, the Note Holder will calculate my new interest rate by adding One percentage points (1%) to the Current Index. The Note Holder will then round the result of this addition to the nearest one-eighth of one percentage point (0.125%). Subject to the limits stated in Section 4(D) below, this rounded amount will be my new interest rate until the next Change Date.

The Note Holder will then determine the amount of the monthly payment that would be sufficient to repay the unpaid principal that I am expected to owe at the Change Date in full on the maturity date at my new interest rate in substantially equal payments. The result of this calculation will be the new amount of my monthly payment.

(D) Limits on Interest Rate Changes

The interest rate I am required to pay at the first Change Date will not be greater than 7.30% or less than 5.30%. Thereafter my interest rate will never be increased or decreased on any single Change Date by more than one percentage point (1.0%) up or down, nor by more than six (6) percentage points up or two (2) percentage points down, over the life of the loan from my initial interest rate. **My interest rate will never be greater than 12.30% or less than 4.30%**.

(E) Effective Date of Changes

My new interest rate will become effective on each Change Date. I will pay the amount of my new monthly payment beginning on the first monthly payment date after the Change Date until the amount of my monthly payments changes again.

(F) Notice of Changes

The Note Holder will deliver or mail to me a notice of any changes in my interest rate and the amount of my monthly payment before the effective date of any change. The notice will include information required by law to be given me and also the title and telephone number of a person who will answer any question I may have regarding the notice.

B. CHARGES; LIENS

Uniform Covenant 4 of the Security Instrument is amended to read as follows:
4. Charges; Liens. Borrower shall pay all taxes, assessments, and other charges, fines and impositions attributable to the Property which may attain a priority over this Security Instrument, and leasehold payments or ground rents, if any, in the manner provided under paragraph 2 hereof or, if not paid in such manner, by Borrower making payment, when due, directly to the payee thereof. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and in the event Borrower shall make payments directly, Borrower shall promptly furnish to Lender receipts evidencing such payments. Borrower shall promptly discharge any lien which has priority over this Security Instrument; however, Borrower shall not be required to discharge any such lien so long as Borrower: (a) shall agree in writing to the payment of the obligation secured by such lien in a manner acceptable to Lender; (b) shall in good faith contest such lien by, or defend against enforcement of such lien in, legal proceedings which in the opinion of Lender operate to prevent the enforcement of the lien or forfeiture of the Property or any part thereof; or (c) shall secure from the holder of such lien an agreement in a form satisfactory to Lender subordinating such lien to this Security Instrument.

If Lender determines that all or any part of the Property is subject to a lien which may attain a priority over this Security Instrument, Lender shall give Borrower a notice identifying such lien. Borrower shall satisfy such lien or take one or more of the actions set forth above within ten days of the giving of notice.

C. NOTICE
Uniform Covenant 14 of the Security Instrument is amended to read as follows:

14. Notice. Except for any notice required under applicable law to be given in another manner, (a) any notice to Borrower provided for in this Security Instrument shall be given by delivering it or by mailing it by first class mail to Borrower at the Property Address or at such other address as Borrower may designate by notice to Lender as provided herein, and (b) any notice to Lender shall be given by first class mail to Lender’s address stated herein or to such other address as Lender may designate by notice to Borrower as provided herein. Any notice provided for in this Security Instrument shall be deemed to have been given to Borrower or Lender when given in the manner designated herein.

D. UNIFORM SECURITY INSTRUMENT; GOVERNING LAW; SEVERABILITY
Uniform Covenant 15 of the Security Instrument is amended as follows:

15. Uniform Security Instrument; Governing Law; Severability. This form of 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. This Security Instrument shall be governed by Federal law and the law of the jurisdiction in which the Property is located. 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, and to this end the provisions of this Security Instrument and the Note are declared to be severable.
E. TRANSFER OF THE PROPERTY OR A BENEFICIAL INTEREST IN BORROWER

Uniform Covenant 17 of the Security Instrument is amended to read as follows:

17. Transfer of the property or a Beneficial Interest in Borrower. If all or any part of the Property or an interest therein is sold or transferred (or if beneficial interest in Borrower is sold or transferred and Borrower is not a natural person) without Lender’s prior written consent, Lender may, at Lender’s option declare all the sums secured by this Security Instrument to be immediately due and payable. However, this option shall not be exercised by Lender if exercise is not authorized by Federal law.

If Lender exercises such option to accelerate, Lender shall mail Borrower notice of acceleration in accordance with paragraph 14 hereof. Such notice shall provide a period of not less than 30 days from the date the notice is mailed within which Borrower may pay the sums declared due. If Borrower fails to pay such sums prior to the expiration of such period, Lender may, without further notice or demand on Borrower, invoke any remedies permitted by paragraph 18 hereof.

Notwithstanding a sale or transfer, Borrower will continue to be obligated under the Note and this Security Instrument unless Lender has released Borrower in writing.

F. LOAN CHARGES

If the loan secured by this Security Instrument 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 exceeds permitted limits, then: (1) any such loan charges shall be reduced by the amount necessary to reduce the charge to the permitted limits; and (2) 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 under the Note.

In Witness Whereof, Borrower has executed this Adjustable Rate Rider.

Date: November 2008  
(Seal)  

Client
I. Basic Duties and Responsibilities

A. ([CDFI]) will establish and operate a system for servicing loans. This system will provide for the protection of all interests in loans serviced by [CDFI] and will be established and operated in compliance with the requirements of funding sources, agreements regarding loan servicing with other parties, and all applicable laws and regulations.

Generally, [CDFI] will be responsible for producing all required servicing reports, maintaining records, controlling damage, and escrowing for taxes, insurance and related charges when not escrowed by another servicer.

B. Servicing duties generally include:
1. Setting up servicing files
2. Establishing and maintaining the required escrow accounts, where applicable
3. Paying property taxes, where applicable
4. Requiring, and paying for when applicable, adequate hazard insurance
5. Maintaining accurate loan servicing and accounting records

C. Loan servicing duties will be the responsibility of the [CDFI] Fund Manager and Director of Finance.

II. Records Maintenance

A. [CDFI] will maintain an individual hard file for each loan serviced (may be consolidated with the loan file). The Fund Manager, or designee, is responsible for setting up the hard file for each loan that is closed.

This file will include an account record which shows:

1. Loan number
2. Name of borrower
3. Mailing address of borrower
4. Property address of borrower
5. Home phone of borrower
6. Work phone of borrower
7. Initial terms to include loan date, loan amount, interest rate, term, P & I payment, taxes, insurance and related charges, total payment, loan type and lien position.
8. Funding source of the loan

B. Computerized loan account records will be maintained on a monthly basis to include payment information showing:

1. Date paid
2. Amount paid
3. Interest paid
4. Principal paid
5. Taxes
6. Insurance
7. Late fees
8. Paid to date status
9. Principal balance
10. Date of last property inspection

C. Loan servicing hard files will also include legal notices, correspondence, forms, reports, and a communication log with a record of all conversations relating to the servicing of the loan, ledgers with account balances, and any other information pertinent to the servicing of the loan.
D. On a daily basis, the Fund Manager will be responsible for updating and recording payments received in the computerized loan account records (LoanBase).

III. Collection, Remittance and Accounting

A. [CDFI] will ensure that a complete and accurate account is kept for each loan serviced and properly apply all sums received from the loan debtor for principal and interest and for taxes, insurance and related charges when appropriate.

B. Loan payments shall be applied in the following order:
   -- toward late fees
   -- Where applicable, escrows for taxes, insurance and related charges
   -- toward interest
   -- toward principal

C. Interest due by the borrower is calculated for the number of days principal is unpaid on the basis of a 360 day year, counting each day as one thirtieth of a month and disregarding differences in lengths of months and years, unless otherwise indicated in a note.

D. In the case of a home rehabilitation loan, any construction escrow balances remaining after construction is complete will be applied to principal.

E. Loan payments are due on or before the due date, which is the first day of the month.

F. [CDFI] will mail coupon booklets, annually to borrowers mailing addresses indicating:
   1. Current payment due for principal and interest, taxes and insurance (where appropriate) and total payment due

G. Late fees will be assessed on a monthly basis on all accounts which are not current. Late fees are calculated at 5% of the payment due. [CDFI] retains all late fees. No late fees may be assessed until an account is over 15 days past due.

H. Loan payments received, and date received, are recorded in the cash receipts log and loan payment software (LoanBase) by the [CDFI] Fund Manager and a hard copy of the data is backed up daily and stored off site in a fireproof, locked location. Checks and cash are locked in a fire proof vault and are deposited every day. Only the Fund Manager and the Director of Finance have access to this location. Cash, checks, ACH (Automated Clearing House transactions) or money orders will be accepted as payment.

I. All loan payments received will be deposited in a loan fund account in an insured institution licensed to do business in the State of XX, no later than three business days following the date on which the payment is received by [CDFI]. Loan
fund accounts will be established and will be maintained so as to comply with generally accepted accounting standards and will comply with any requirements for segregated loan fund accounts. All loan fund accounting will clearly indicate payments received for principal, interest, taxes and insurance and related charges and late fees.

J. From funds deposited, [CDFI] will pay promptly to the proper parties when due taxes, insurance and any related charges and any payments of principal and interest owed to parties holding interests in loans serviced by [CDFI]. All loan funds accounting will indicate all such disbursements.

K. By the last day of January of each year, [CDFI] will provide the borrower with a statement indicating total principal and interest paid during the previous year.

IV. Escrows

A. Construction Escrows

A separate construction escrow account will be maintained for each segregated loan fund account and accounting will indicate all receipts and disbursements, according to generally accepted accounting standards.

B. Tax and Insurance Escrows

[CDFI] will provide escrows services for taxes, insurance and related charges upon request when no other lender will provide the escrow services.

1. When such escrows are required, [CDFI] will estimate the monthly payment required to assure that funds will be available to pay each expense. The total amount of escrowed funds required to make any payment are due to [CDFI] thirty (30) days prior to the date that [CDFI] must make the payment.

2. When escrow services are provided, [CDFI] will pay when due taxes and insurance. Upon the closing of a loan requiring tax and insurance escrows, the Loan Fund Manager, or designee, will be responsible for recording in a tax/insurance payment log, to be maintained by the Fund Manager, the month that payments for taxes and insurance are due on that loan. This log will be checked by the Fund Manger at the beginning of each month for payments due that month.
3. On an annual basis, [CDFI] will analyze each account to determine that the balance is adequate and, if necessary, make any adjustments required to meet estimated future charges.

4. If there is a shortage, [CDFI] may either request the borrower to pay the shortage in full, or take the shortage into account when establishing the monthly escrow deposit for the next year.

5. If there is an overage, this amount will be refunded to the borrower, or the borrower may elect to apply this overage to reduce future escrow payments.

6. In the event a loan is delinquent and there is an overage, the overage will be applied to cure the delinquency. The Fund Manager will contact the borrower to inform of this course of action. If the Fund Manager cannot reach the borrower by phone, a letter will be sent informing the borrower that the overage will be applied toward the delinquency if the borrower does not contact [CDFI] by a certain date the surplus will be applied to the delinquency.

7. When [CDFI] has not received adequate payments from the borrower to cover required tax and insurance escrow expenses, [CDFI] will request the borrower to pay the additional amount. If the payment is not received in time to make the required disbursement, [CDFI] may advance its own funds to cover the expense and will bill the borrower for the amount. If the borrower does not pay the amount, subsequent loan payments may be used to reimburse [CDFI] for payment of the expense, and the borrower will be notified of such action, or [CDFI] may negotiate a repayment plan with the borrower.

Any action regarding this item requires cooperation with the Fund Manager responsible for collections of delinquent loans and the approval of the Loan & Credit Committee.

8. Taxes will be paid by [CDFI] upon due date when escrow services are provided. If the loan is delinquent, [CDFI] may pay the taxes to the extent necessary to protect the security interest of the Participants.

9. When the monthly payment changes as a result of the escrow analysis, [CDFI] will give the borrower reasonable notice of the new payment.

V. Servicing Reports

A. Delinquency Reports

1. Delinquency reports will be prepared on a monthly basis by the fifteenth of each month. Reports will indicate current loans, loans over 10 days past due, over
30 days past due, over 60 days past due, over 90 days past due and over 120 days past due.

2. Delinquency reports will be distributed bi-weekly to the Deputy Director and the Director of Finance for recommendations on prevention strategies related to challenging delinquency clients. All delinquency matters are reported to the Credit & Loan Committee on a monthly basis and appropriate legal action may be recommended at that time.

B. Other Servicing Reports

1. Any other reports required by funding sources or by other parties with interests in loans serviced by [CDFI] will be prepared in compliance with their reporting guidelines and submitted in a timely fashion.

2. In addition to any specific reporting requirements, reports to Parties with interests in loans serviced by [CDFI] will generally include a payment transmittal for principal & interest collected.

3. Reports will also generally include notice as to the abandonment of, or any change in the occupancy of any premises securing a loan; the death, bankruptcy, insolvency or other situation of the borrower which might impair the ability to repay the loan; any loss or damage to any premises, status of notification thereof to insurance companies; and any lack of repair or any other deterioration or waste suffered or committed in respect to the premises securing the loan.

The Fund Manager will delegate property inspection functions to rehab staff in the case of a default.

The Deputy Director will be responsible for maintaining a master schedule and formats for required reports and is responsible for providing this schedule to all staff required to provide information to the inclusion of all reports.

VI. Collection of Delinquent Loans

The collection of delinquent loans will be managed in accordance with RW NHS, [CDFI] collection policies and procedures.

VII. Servicing Fees

Any fees for loan servicing paid to [CDFI] will be according to the terms outlined in the specific agreements governing this servicing.

VIII. Fidelity Insurance

[CDFI] will keep in force at all times, at its own expense, a fidelity bond with broad coverage of an incorporated surety company to do business in protecting [CDFI] against loss caused by any dishonest, fraudulent, or criminal act of any officer, director, employee, or agent of [CDFI]. [CDFI] will also comply with any other insurance requirements of funding sources or other parties owning interests in loans.

Audits
[CDFI] servicing functions will be audited, at minimum, as part of its annual certified independent financial audit.