

**TITLE 47: HOUSING AND COMMUNITY DEVELOPMENT
CHAPTER II: ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

**PART 250
SINGLE FAMILY MORTGAGE PURCHASE PROGRAM II**

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SUBPART A: GENERAL RULES

Section 250.101 Authority

These Rules are authorized by and made pursuant to Sections 7.19 and 7.23 of the Illinois Housing Development Act (Ill. Rev. Stat. 1981, ch. 67-1/2, pars. 307.19 and 307.23) and shall govern Programs funded by Bonds issued after December 31, 1982.

Section 250.102 Purpose and Objectives

These Rules are established to accomplish the general purposes of the Illinois Housing Development Act (Ill. Rev. Stat. 1981, ch. 67-1/2, pars. 301 et seq.) and in particular the purchasing and making of loans in accordance with the Program to achieve the following objectives: the provision of funds to finance, at interest rates below those otherwise available, residential mortgage loans for low and moderate income persons and families; the provision of housing to alleviate the shortage of adequate housing in the State for such persons and families that are residents of the State; and the effective participation by lenders in the Program while restricting their financial return to what is necessary and reasonable to induce such participation.

Section 250.103 Definitions

As used in this Part, the following words or terms mean:

"Act": The Illinois Housing Development Act (Ill. Rev. Stat. 1983, ch. 67 1/2, pars. 301 et seq.) as amended from time to time.

"Application": A potential Lender's application to sell Mortgage Loans to the Authority pursuant to the terms of a Mortgage Purchase Agreement and other Program requirements.

"Authority": The Illinois Housing Development Authority.

"Bonds": The Authority's Residential Mortgage Revenue Bonds issued from time to time to finance the Program.

"Commitment Fee": The fee which may be required to be paid to the Authority by a potential Lender at the time it files its Application to sell Mortgage Loans.

"Deputy Director": The Deputy Director of the Authority.

"Director": The Director of the Authority.

"Eligible Borrower": A person or persons who are residents of the State at the date of the closing of the Eligible Borrower's purchase of the Qualified Dwelling, or who will become residents of the State within sixty days of the closing, and whose Household Income does not exceed the Maximum Income; and who occupy or will occupy as a single household the Qualified Dwelling purchased or being purchased as a permanent residence; and who at no time during the 3-year period ending on the date the Mortgage is executed had a present ownership interest in a principal residence of such Eligible Borrower. The Eligible Borrower who purchases a Targeted Area Residence or a Qualified Rehabilitation Residence is exempt from the 3-year requirement of this subsection. For purposes of this subsection the Eligible Borrower's interest in the Qualified Dwelling financed under this Program shall not be taken into account.

"FHA": The Federal Housing Administration.

"FHLMC": The Federal Home Loan Mortgage Corporation.

"FmHA": The Farmer's Home Administration.

"FNMA": The Federal National Mortgage Association.

"Household Income": The total annual gross income of all persons residing or intending to reside as a single household in a Qualified Dwelling, from whatever source derived and before taxes or withholdings.

"Invitation": The Authority's invitation to potential Lenders for Applications to sell Mortgage Loans.

"Lender": A State-chartered bank, national banking association, mortgage banking association or institution, credit union, or State or federal savings and loan association; which is located and qualified to do business in the State; which is qualified to sell mortgages to FNMA and/or FHLMC; (this requirement will be waived by the Director after determination that the assets of the lender exceed \$500,000, that the percentage of mortgage delinquencies in the lender's single family portfolio do not exceed 2.15 times the Statewide average as determined by the last quarterly pronouncement by the United States Federal Home Loan Bank Board and that the lender has an asset-to-liability ratio of at least 1.01/1); deposits of which are insured by the Federal Deposit Insurance Corporation, or the Federal Savings and Loan Insurance Corporation, the National Credit Union Administration or which deposits its funds in Illinois financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation or the Federal Savings

and Loan Insurance Corporation; and whose Application has been accepted by the Director based upon the satisfaction of the Program requirements and a determination of financial suitability after consideration of the net assets, lending capacity, and experience of the potential Lender over the past 12 months in residential mortgage lending.

"Maximum Income": 160% of the median income determined by the United States Census Bureau for the Standard Metropolitan Statistical Areas in the State having a population of 3 million or more for the most recent year for which such information is available, as published by the United States Department of Housing and Urban Development or by such other governmental entity as may be determined by the Director to publish substantially comparable information.

"Members": The Members of the Authority.

"Mortgage": A deed of trust, mortgage deed, mortgage, or other instrument creating a first mortgage lien on a fee interest in real property located within the State.

"Mortgage Loan": A loan made by a Lender to an Eligible Borrower for the purchase of a Qualified Dwelling after the date of mailing of the Notice of Acceptance and secured by a Mortgage on such real property. No Mortgage Loan shall be a replacement or refinancing of an existing mortgage loan except in the case of a Qualified Rehabilitation Loan or other temporary loans as permitted by Section 103A of the Internal Revenue Code of 1954, 26 U.S.C. Section 103A, as amended from time to time and applicable regulations promulgated by the Treasury Department thereunder.

"Mortgage Purchase Agreement": The agreement between the Authority and a Lender pursuant to which the Authority agrees to purchase Mortgage Loans from the Lender on the terms and conditions set forth therein and which establishes the requirements for Mortgage Loans to be purchased by the Authority.

"Net Proceeds": With respect to the proceeds of each series of Bonds, all moneys made available by the Authority for the purchase of Mortgage Loans.

"Notice of Acceptance": The Authority's notice to the Lender of the acceptance of the Lender's Application.

"Part": This Part 250.

"Prepayment": Any moneys, however derived, which are received or recovered by the Authority from any payment of, or with respect to, principal on any Mortgage Loan prior to scheduled payments of principal called for by such Mortgage Loan.

"Procedural Guide": The set of instructions, guidelines, terms, and conditions approved by the Director for the origination and sale of Mortgage Loans to the Authority and for the servicing of such Mortgage Loans. The Procedural Guide may, at the discretion of the

Authority, exist as a separate and discrete document or may be incorporated into the Mortgage Purchase Agreement and the Servicing Agreement.

"Program": The Authority's single family mortgage purchase program funded by Bonds issued after December 31, 1982.

"Property Value": The lesser of the purchase price or the appraised value of the Qualified Dwelling at the time of origination of the Mortgage Loan secured by such Qualified Dwelling.

Qualified Dwelling": Real estate or an interest in real estate upon which there is or shall be located a structure or structures designed for Residential Use and meeting the requirements of Sections 2(e) and 7.23 of the Act as amended from time to time. Such Qualified Dwelling may be a condominium unit or a one, two, three or four unit structure so long as it is located in the State and can reasonably be expected to become the principal residence of the Eligible Borrower within a reasonable time after financing is provided. For purposes of this subsection, a "reasonable time after financing is provided" shall be deemed to be a period within sixty (60) days of closing of the Mortgage Loan. This period may be extended if, at the discretion of the Authority, undue hardship to the Eligible Borrower or Lender or an unreasonable result will occur. Such Qualified Dwelling may include factory-made housing so long as such structure is permanently fixed to real property.

"Qualified Rehabilitation Loan": A Mortgage Loan for the purchase of a Qualified Rehabilitation Residence. An Eligible Borrower for a Qualified Rehabilitation Loan must be the first resident of the Qualified Rehabilitation Residence after the completion of the rehabilitation.

"Qualified Rehabilitation Residence": A Qualified Dwelling for which there has been a qualified rehabilitation as defined in Section 103A of the Internal Revenue Code of 1954, 26 U.S.C. Section 103A, as amended from time to time and applicable regulations promulgated by the Treasury Department thereunder.

"Residential Use": Use as the principal residence of the occupant and not as a vacation or "second" home, as provided in Section 103A of the Internal Revenue Code of 1954, 26 U.S.C.

Section 103A.

"Rules": The Rules and Regulations of the Authority as supplemented and amended from time to time.

"Servicer": A Lender, or its designated servicer, which has been approved by the Director as a Servicer and which has executed a Servicing Agreement with the Authority. The Authority may also be a Servicer. A designated servicer must be a State-chartered bank, national banking association, mortgage banking association or institution, credit union, or

State or federal savings and loan association; which is located and qualified to do business in the State; which is qualified to sell mortgages to FNMA and/or FHLMC, unless such requirement is waived by the Director based upon a determination of financial suitability made by the Director after consideration of the net assets, servicing capacity, and experience of the potential Servicer over the past 12 months in residential mortgage servicing; and deposits of which are insured by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation, the National Credit Union Administration or which deposits its funds in Illinois financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation. "Servicing Agreement": The agreement between the Authority and a Servicer for the servicing of Mortgage Loans purchased by the Authority. The Servicing Agreement may incorporate the Procedural Guide.

"Staff": The Director and Deputy Director and the employees of the Authority.

"State": The State of Illinois.

"Targeted Area": An area of the State which is either a qualified census tract or an area of economic distress as defined in Section 103A of the Internal Revenue Code of 1954, 26 U.S.C. Section 103A, as amended from time to time and applicable regulations promulgated by the Treasury Department thereunder. Boundaries of the Targeted Areas may be re-designated from time to time at the discretion of the Authority and in compliance with applicable federal regulations.

"Targeted Area Residence": A Qualified Dwelling located in a Targeted Area.

"VA": The United States Veterans' Administration.

Section 250.104 Borrowing by the Authority

To the extent allowed by applicable federal law and the Act, the Authority may borrow funds with which to purchase Mortgage Loans under the Program.

Section 250.105 Compliance with Federal Law

Notwithstanding anything herein to the contrary, this Part shall be construed in conformity and compliance with applicable federal law, including without limit Sections 103 and 103A of the Internal Revenue Code of 1954, 26 U.S.C. Sections 103 and 103A, as amended from time to time and applicable regulations promulgated by the Treasury Department thereunder.

Section 250.106 Standards

In administering the Program, the Authority and the Staff, in those instances permitting the exercise of discretion, shall consider, in addition to the criteria specifically set forth in

this Part, the following factors: the purpose of the Program, the requirements of applicable federal law, the financial condition and previous lending experience of potential and participating Lenders and Servicers, the Authority's ability to purchase or redeem the Bonds and to comply with the requirements of the resolutions authorizing its bonds, the financial integrity of the Program, the desirability of achieving a reasonable geographic distribution of Net Proceeds throughout the State, and the standards of the prudent lender or investor.

Section 250.107 Forms for the Program

The Staff may prepare, use, supplement, and amend such forms, agreements, and other documentation as may be necessary to implement the Program, including without limitation a Procedural Guide, an Application, a Notice of Acceptance, a Mortgage Purchase Agreement, and a Servicing Agreement, all as may be prescribed by the Director.

Section 250.108 Fees and Charges of the Authority

A Commitment Fee may be established and collected by the Authority from each potential Lender filing an Application in such amount or amounts as the Authority may deem appropriate. Commitment Fees applicable to offered sales of Mortgage Loans for which the Authority does not enter into a Mortgage Purchase Agreement shall be returned to the potential Lender. The Commitment Fee may be used by the Authority for any lawful purpose permitted by Section 103 of the Internal Revenue Code of 1954 (26 U.S.C. Section 103) as amended from time to time and applicable regulations promulgated by the Treasury Department thereunder so as to retain the tax-exempt status of the Bonds. The Authority may establish such other charges, premiums, and penalties as it may deem necessary to administer the Program, after the Authority's consideration of factors such as, including but not limited to, financing requirements of the Program, preferences of bond rating agencies, earnings and arbitrage limitations established by state or federal law and other financial factors relevant to the Program.

Section 250.109 Waiver (Repealed)

Section 250.110 Amendment

This Part may be supplemented, amended, or repealed by the Members from time to time and in such manner as they may determine consistent with the Authority's Rules, the Act, the purpose of the Program, and other applicable provisions of law. This Part shall not constitute or create any contractual rights.

Section 250.111 Severability

If any clause, sentence, paragraph, subsection, section, or subpart of this Part shall be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder thereof, but shall be confined in its operation to the clause, sentence, paragraph, subsection, section, or subpart thereof as to which such judgment is rendered.

Section 250.112 Gender and Number

All terms used in any one gender or number shall be construed to include any other gender or number as the context may require.

Section 250.113 Titles and Captions

Titles and captions of subparts, sections, and subsections are used for convenience and reference and are not a part of the text.

Section 250.114 Calendar Days

Days shall mean calendar days. Due dates falling on a Saturday, Sunday or legal State or federal holiday shall be deemed to fall on the next calendar day that is not Saturday, Sunday, or a legal State or federal holiday.

SUBPART B: APPLICATION PROCESS

Section 250.201 Invitations to Sell Mortgage Loans

The Authority from time to time may mail Invitations to potential Lenders for applications to sell Mortgage Loans to the Authority. The Invitation shall contain, among other things, a description of the Program, Eligible Borrowers, and Mortgage Loans eligible to be purchased by the Authority under the Program. Prior to mailing Invitations to potential Lenders, the Authority may make such inquiries of potential Lenders and others as it considers useful in determining probable interest among potential Lenders in participating in the Program.

Section 250.202 Applications to Sell Mortgage Loans

The Authority from time to time may mail Applications to potential Lenders for applications to sell Mortgage Loans to the Authority. Potential Lenders shall execute and return the Application, the Mortgage Purchase Agreement, and, if applicable, the Servicing Agreement to the Authority, together with any Commitment Fee. The Application shall contain, among other things, the following:

- a) Provision for the potential Lender to state the aggregate principal amount of Mortgage Loans it desires to sell to the Authority, which amount shall be at least \$200,000 and shall be an integral multiple of \$1,000;
- b) The unconditional agreement of the potential Lender, effective upon acceptance of the Application by the Authority, to sell to the Authority Mortgage Loans which comply with the terms of the Notice of Acceptance, Mortgage Purchase Agreement, and Procedural Guide;
- c) The date by which the Application must be submitted to the Authority in order to be considered for an allocation of Net Proceeds to purchase eligible Mortgage

Loans;

- d) Provision for the potential Lender to furnish such financial and other information as the Authority may reasonably require;
- e) The schedule of any Commitment Fees or charges levied or to be levied by the Authority, with a requirement that such Commitment Fees or charges accompany the Application when it is submitted to the Authority;
- f) A pro form a copy of any letter of credit that may be required by the Authority; and
- g) A description of the fees and charges which may be imposed by a Lender with respect to a Mortgage Loan.

Section 250.203 Allocation of Net Proceeds for Purchase of Mortgage Loans

Net Proceeds may be allocated by the Authority among potential Lenders from which timely, accepted Applications and Commitment Fees have been received by the Authority. In making such allocations, the Authority shall consider with respect to each potential Lender, among other things, the financial condition of the potential Lender; the amount of residential mortgage loans made in the State by the potential Lender during the preceding 12-month period relative to the demand for such loans and to the funds available to the potential Lender to make such loans during such period; the terms and conditions of any Mortgage Loans offered for sale by the potential Lender; the respective aggregate principal amounts of Mortgage Loans offered for sale by all potential Lenders; the ability of the potential Lender to act as a Servicer of Mortgage Loans; previous participation by the potential Lender in the Authority's programs; the desirability of achieving a reasonable geographic distribution of Net Proceeds throughout the State; the existence of any local governmental mortgage purchase program; and the amount of Mortgage Loans to be made in Targeted Areas. The Authority shall use its best efforts to allocate Net Proceeds to achieve the purpose set forth in Section 250.102 of this Part. Allocations of Net Proceeds by the Authority shall be conclusive, subject to adjustments as permitted in Section 250.303(b).

Section 250.204 Notice of Acceptance

The Authority, by Notice of Acceptance, may commit itself, subject to the conditions set forth in the Application, the Mortgage Purchase Agreement, and the Procedural Guide, to purchase Mortgage Loans offered by a potential Lender in its Application. Promptly following the issuance by the Authority of its Notice of Acceptance to the Lender, the Authority shall execute a Mortgage Purchase Agreement with such Lender. The aggregate principal amount of Mortgage Loans which the Authority agrees to purchase from any Lender shall not exceed the aggregate principal amount of Mortgage Loans offered for sale by the Lender and may be less than the amount requested by the Lender in its Application. Upon receipt of the Notice of Acceptance by the Lender, the Lender shall be obligated to sell such Mortgage Loans in accordance with the terms of the Application, the Notice of Acceptance, the Mortgage Purchase Agreement, and the Procedural Guide. The obligation of the Authority to purchase any

Mortgage Loan shall be subject to the issuance and sale of Bonds within the period prescribed by the Application in an amount sufficient to permit such purchase.

Section 250.205 Commitments for Mortgage Loans

Upon receipt of the Notice of Acceptance, the Lender shall issue commitments to Eligible Borrowers to make Mortgage Loans. The Authority may in its sole discretion, after consideration of such factors as, including but not limited to, financing requirements of the Program, preferences of bond rating agencies, financial risk to the Authority, and other financial factors relevant to the Program, require that commitments for non-Targeted Area Mortgage Loans be issued within six months from the date of the Notice of Acceptance, or within such shorter period as the Authority may require, and the Authority may require that disbursements of such Mortgage Loans be made by the Lender within three months of the date of the commitment, or within such shorter period as the Authority may require.

Section 250.206 Reservation of Allocations by Lenders

The Authority may permit Lenders to contract to reserve a portion of their allocations of Net Proceeds to a particular seller or licensed real estate broker of Qualified Dwellings in such amounts and for such time periods as deemed appropriate by the Authority in its sole discretion.

SUBPART C: PURCHASE OF MORTGAGE LOANS

Section 250.301 Mortgage Loans

Each Mortgage Loan to be purchased under the Program shall comply with the terms of the Application, Notice of Acceptance, Mortgage Purchase Agreement, and Procedural Guide and specifically shall comply with the following requirements, among others:

- a) Each Mortgage Loan to be purchased under the Program shall be insured by the FHA for the unpaid principal amount thereof; or be guaranteed by the VA or FmHA in an amount set forth in the Procedural Guide or Mortgage Purchase Agreement; or have a principal balance not exceeding 80% of the Property Value at the time of origination (or such other percentage as the Authority may determine after consideration of such factors as the financial integrity of the Program and the preferences of bond rating agencies, and as may be provided for in the Procedural Guide or Mortgage Purchase Agreement) and be covered by a mortgage insurance policy issued by a private mortgage insurance company approved by the Director after consideration of such factors as the insurer's rating among applicable rating companies, the potential acceptance of the insurers to Lenders and Eligible Borrowers, and the preferences of bond rating agencies, and in an amount as may be set forth in the Procedural Guide. (All costs connected with the acquisition of such insurance shall be paid by the Eligible Borrower.)
- b) Each Mortgage Loan to be purchased by the Authority shall be secured by a Mortgage on a Qualified Dwelling and must further meet the applicable terms and conditions set forth

in the Authority's Rules, the application, Notice of Acceptance, Mortgage Purchase agreement, and Procedural Guide. Lenders shall sell and the Authority shall purchase only Mortgage Loans made to Eligible Borrowers.

- c) Each Mortgage securing a Mortgage Loan to be purchased by the Authority shall be executed on a form approved by the Authority. It shall be a valid first mortgage lien on a Qualified Dwelling, be consistent with Illinois law, and conform with the requirements prescribed by the Authority and any applicable insurer.
- d) Each Mortgage Loan to be purchased by the Authority shall be non-assumable and non-assignable, unless otherwise required by applicable federal law, and shall contain a provision giving the Authority the right to accelerate the maturity of the Mortgage Loan upon sale or lease of the Qualified Dwelling or other violations of the requirements of Section 103A of the Internal Revenue Code of 1954, 26 U.S.C. Section 103A, as amended from time to time and the regulations promulgated by the Treasury Department thereunder.
- e) Each Mortgage securing a Mortgage Loan to be purchased by the Authority shall include provisions necessary to protect the interests of the Authority, such provisions being contained in the Mortgage Purchase Agreement, Servicing Agreement, Procedural Guide, and this Part.
- f) The purchase of each Qualified Dwelling which is the subject of a Mortgage Loan to be purchased by the Authority under the Program shall not exceed 110% of the average area purchase price applicable to such Qualified Dwelling (except that in the case of Targeted Area Residences the purchase price shall not exceed 120% of the average area purchase price) or any other limitations imposed by the Authority in accordance with applicable law. "Average area purchase price" shall be established pursuant to procedures prescribed by Section 103A of the Internal Revenue Code of 1954 as amended (26 U.S.C. Section 103A) and shall be set forth in the Mortgage Purchase Agreement and the Procedural Guide.
- g) Mortgages held as security for Mortgage Loans purchased under this Part which are in default may be foreclosed by the Authority according to their terms or reassigned to the Lender in accordance with the terms of the Mortgage Purchase Agreement. The Authority is authorized to take title in its name upon foreclosure and to subsequently convey title to such property to any qualified insurer of the Mortgage or any bona fide purchaser thereof.

Section 250.302 Yield on Mortgage Loans

In no event shall the yield on Mortgage Loans sold to the Authority exceed the maximum permitted by application of the provisions of Section 103(c) and 103A of the Internal Revenue Code of 1954, 26 U.S.C. Sections 103(c) and 103A, as amended from time to time and applicable regulations promulgated by the Treasury Department thereunder.

Section 250.303 Terms and Conditions of the Purchase of Mortgage Loans

- a) Mortgage Loans shall be purchased by the Authority on the terms and conditions and in the manner prescribed in the Mortgage Purchase Agreement and the Procedural Guide. The Mortgage Purchase Agreement shall contain such warranties of the Lenders with respect to the Mortgage Loans to be sold thereunder as the Authority shall require, which shall include among others the warranties listed below. In exceptional circumstances, however, the Authority may waive the requirement of any particular warranty if to require it would result in undue hardship to the Lender or an unreasonable result.
- 1) The mortgagor is an Eligible Borrower;
 - 2) The purchase price of the Qualified Dwelling subject to the Mortgage Loan does not exceed any maximum purchase price limitations established by the Authority;
 - 3) The Mortgage Loan is evidenced by a properly executed promissory note made payable or assigned to the order of the Lender and endorsed by the Lender as follows: "Pay to the order of the Illinois Housing Development Authority without recourse except as provided in Section 12 of the Mortgage Purchase Agreement." and is secured by a Mortgage on the Qualified Dwelling, both of which are the legal, valid, and binding obligations of the makers and mortgagors thereof and are enforceable in accordance with their terms, except only as such enforcement may be limited by laws affecting the enforcement of creditors' rights generally, and all parties to each Mortgage Loan must have had full legal capacity to execute all Mortgage Loan documents at the time of execution;
 - 4) The Mortgage, financing statement, if any, and any other document required to be filed in a public office to perfect the mortgage lien against third parties has been duly and timely filed, registered, or recorded by the Lender in the proper public office in order to give constructive notice thereof to all subsequent purchasers or encumbrancers;
 - 5) The Lender, being the sole owner and holder of the Mortgage Loan, has full right to sell and assign the Mortgage Loan to the Authority and such assignment conveys a good and marketable mortgagee's title to the Authority free and clear of all liens and encumbrances and subject only to real property taxes and assessments not yet due and encumbrances customarily accepted in accordance with applicable title standards and disclosed to the Authority prior to purchase of the Mortgage Loan;
 - 6) The Mortgage creates a valid and existing first mortgage lien on the real property owned by the mortgagor in fee simple and improvements therein described (and fixtures) to secure the Mortgage Loan, the terms "first mortgage lien" meaning such classes of first liens as are commonly given to secure loans on real estate under the laws of the State;

- 7) The Lender has not modified in any respect and has not satisfied, canceled, subordinated, or compromised in whole or in part the Mortgage Loan indebtedness and has not released the mortgaged property in whole or in part from the lien of the indebtedness evidenced by the note and secured by the Mortgage (or other instruments evidencing indebtedness and security), and the terms, covenants, and conditions of the note evidencing the Mortgage Loan and the Mortgage securing the same have not been waived, altered, or modified in any respect which would materially affect the validity or enforceability of the Mortgage Loan or the security of the lien of the Mortgage;
- 8) The real property securing the Mortgage Loan is a Qualified Dwelling;
- 9) The improvements upon the real property subject to the Mortgage Loan are covered by a valid and existing policy of hazard insurance meeting the requirements of the Authority;
- 10) The Lender has complied as follows:
 - A) as to each FHA-insured Mortgage Loan, with the National Housing Act, 12 U.S.C. Section 1701 et seq., as amended and supplemented, all rules and regulations issued thereunder, and all administrative publications, such insurance being in full force and effect and, upon purchase by the Authority of the Mortgage Loan, inuring to the benefit of the Authority;
 - B) as to each Mortgage Loan guaranteed by the VA or FmHA, with the Servicemen's Readjustment Act, 38 U.S.C. Section 1803 et seq., the Consolidated Farm and Rural Development Act, 7 U.S.C. Section 1921 et seq., Title V of the Housing Act of 1949, 42 U.S.C. Sections 1471-1482, or other applicable federal law as amended and supplemented, all rules and regulations issued thereunder, and all administrative publications, such guaranty being in full force and effect and, upon purchase by the Authority of the Mortgage Loan, inuring to the benefit of the Authority; and
 - C) as to each Mortgage Loan insured by a private mortgage insurance company, with all rules and requirements of such company, such insurance being in full force and effect and, upon purchase by the Authority of the Mortgage Loan, inuring to the benefit of the Authority;
- 11) The Mortgage Loan is covered by a fully paid mortgagee's title insurance policy in such form as the Authority may require; and
- 12) To the best of Lender's information, knowledge and belief, no condition exists which would prohibit the purchase of the Mortgage Loan by the Authority under all applicable rules, regulations and contractual provisions.

b) In the event that the Lender fails to deliver Mortgage Loans to the Authority in the amount, on the terms and conditions, and within the time period set forth in the Mortgage Purchase Agreement, the Authority may, if it so chooses and in its sole discretion, reallocate all or part of the unused portion of the Lenders' commitment to other Lenders in accordance with the provisions of Section 250.203 of this Part; redeem all or part of the Bonds issued with respect to such unused portion of the commitment but only if permitted by the resolutions of the Authority authorizing issuance of the Bonds; or undertake any combination of the above. The Mortgage Purchase Agreement may provide for liquidated damages, extension fees, and forfeiture of commitment fees if the Authority makes any re-allocation pursuant to this subsection.

c) The Mortgage Purchase Agreement shall provide that the Authority shall have the right to require the Lender to repurchase Mortgage Loans sold to the Authority by the Lender if the Director determines that the Lender has failed to comply with the requirements of this Part or of its contracts and agreements with the Authority under the Program.

Section 250.304 Prepayment

The Authority may, at its option, apply any Prepayment it receives as follows:

- a) to the purchase of additional Mortgage Loans in accordance with the requirements of the Program;
- b) to the purchase from potential Lenders of Mortgage Loans previously made by such Lenders, on such terms and conditions as the Authority shall consider necessary, including requirements as to the making of additional Mortgage Loans with the proceeds of such purchase;
- c) to the purchase or redemption of Bonds, subject in each case to the requirements of the Authority's resolutions relating to the issuance of its Bonds; or
- d) for other corporate purposes of the Authority.

Section 250.305 Targeted Area Residences

The Authority shall comply with Section 103A of the Internal Revenue Code of 1954, 26 U.S.C. Section 103A, as amended from time to time and applicable regulations promulgated by the Treasury Department thereunder or other applicable federal law regarding the purchase of Mortgage Loans on Targeted Area Residences.

Section 250.306 Mortgage Pool Insurance

The Authority may obtain one or more insurance policies covering all of the Mortgage Loans. The policy or policies may insure the Authority against losses arising from an event of default under any Mortgage Loan covered by the policy in an amount equal to the unpaid principal

balance of and accrued interest on the Mortgage Loan and customary fees and expenses paid by the Authority to preserve and protect the mortgaged premises and to foreclose or otherwise dispose of such premises, such as real estate taxes, hazard and private insurance premiums, and foreclosure expenses, less the amounts received by the Authority under any other insurance policy on the Mortgage Loan or from disposition of such premises or substantially similar benefits. The total amount of claims payable under the policy may be limited to an amount which is not less than 10% of the original aggregate principal amount of the Mortgage Loan covered thereby or such other percentage as the Director may from time to time deem appropriate.

Section 250.307 Arbitrage and Investment Gains

Arbitrage and investment gains, if any, shall be paid, expedited, or accounted for as required by Section 103A of the Internal Revenue Code of 1954, 26 U.S.C. Section 103A, as amended from time to time and applicable regulations promulgated by the Treasury Department thereunder.

SUBPART D: ADMINISTRATIVE RULES

Section 250.401 Restrictions on Return Realized by Lenders

The Authority shall establish the maximum income which may be realized by any Lender and by any agent of any Lender from Mortgage Loans, including any commitment fees, premiums, bonuses, points, or other fees charged by the Lender or the Lender's agent in connection with the making of Mortgage Loans. Such maximum income shall be set at such amounts as the Authority finds reasonably necessary to induce participation in the Program by Lenders in order to accomplish the purposes of the Act, or to ensure compliance with arbitrage and income limitations of Section 103(b) of the Internal Revenue Code of 1954, 26 U.S.C. Section 103(b).

Section 250.402 Servicing of Mortgage Loans

Pursuant to a Servicing Agreement, the Authority shall cause all Mortgage Loans purchased by the Authority to be serviced by a Servicer, which may be the Lender from which such Mortgage Loans are purchased.

Section 250.403 Purchase of Authority Bonds

No Lender or Eligible Borrower, including any "related person," as defined in Section 103(b)(6)(C) of the Internal Revenue Code of 1954, 26 U.S.C. Section 103(b)(6)(C), as amended from time to time, pursuant to any arrangement, formal or informal, direct or indirect, shall agree to purchase the Bonds or other obligations of the Authority in an amount related to the aggregate principal amount of the Mortgage Loans to be sold by or made to such Lender, Eligible Borrower, or related person.

Section 250.404 Equal Opportunity Lending

In making Mortgage Loans, the Lender shall not deny such loans to any person or persons or discriminate against such person or persons in fixing the amount, interest rate, duration, or other terms and conditions of such loans on account of race, color, religion, age, sex, marital status, handicap, or national origin, and shall otherwise be subject to all State and federal requirements with respect to non-discrimination in lending including, without limitation, Title VI of the U.S. Civil Rights Act of 1964 (42 U.S.C. Section 2000 et seq.), Title VIII of the U.S. Civil Rights Act of 1968, (42 U.S.C. Section 3604 et seq.), as amended by the Housing and Community Development Act of 1974 (42 U.S.C. Section 5301 et seq.), the Equal Credit Opportunity Act (15 U.S.C. Sections 1691-1691F), the Fair Credit Reporting Act (15 U.S.C. Sections 1681-1681t), and Section 13 of the Act.

Section 250.405 Inspection of Books and Records

Upon prior written notice, the Authority may inspect, examine, and copy the books and records of each Lender for the purpose of determining compliance with the Authority's Rules, the Act, and all contracts and agreements between the Authority and such Lender relating to the Program.

Section 250.406 Termination

The Authority shall retain the right to establish procedures for the termination of its obligation to purchase Mortgage Loans associated with any particular issue of Bonds under the Program, subject to applicable federal and State law and to its existing contractual obligations, including contractual obligations arising under an Application, a Notice of Acceptance, a Mortgage Purchase Agreement or a Servicing Agreement.