

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

**PART 366
AFFORDABLE HOUSING BOND PROGRAM - SINGLE FAMILY**

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SUBPART A: GENERAL RULES

Section 366.101 Authority

These rules are authorized by and made pursuant to the Illinois Housing Development Act (the "Act") [20 ILCS 3805], the Illinois Affordable Housing Act [310 ILCS 65] (the "Affordable Housing Act") and Public Act 88-0093 and shall govern Program.

Section 366.102 Purposes and Objectives

These rules are established to accomplish the general purposes of the Act and the Affordable Housing Act, and in particular the purchasing and making of loans in accordance with the Illinois Housing Development Authority's Affordable Housing Trust Fund Bond 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 very low income persons and families, and 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.

Section 366.103 Definitions

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

"Act": The Illinois Housing Development Act [20 ILCS 3805].

"Advisory Commission": The Illinois Affordable Housing Advisory Commission, established by and pursuant to Section 6(a) of the Affordable Housing Act.

"Affordable Housing Act": The Illinois Affordable Housing Act [310 ILCS 65].

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

"Authority": The Illinois Housing Development Authority.

"Bonds": The bonds issued by the Authority from time to time pursuant to the Act and a Resolution to finance the Program, including bonds issued from time to time to replace or refund Bonds or Notes previously issued.

"Commitment Fee": The fee that the Authority may require a prospective Home Builder to pay to the Authority at the time it submits its Home Builder Participation Agreement to the Authority for acceptance.

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

"Director": The Director of the Authority.

"Eligible Borrower": A person applying for a Loan in connection with the purchase of a Qualified Dwelling:

who is or will be a resident of the State within sixty (60) days after the closing of the Loan;

whose Household Income does not exceed the maximum Household Income for Low Income Households or Very Low Income Households, as applicable, for the area in which the Qualified Dwelling is located;

who intends to use the Qualified Dwelling being financed by the Loan as his or her permanent residence within sixty (60) days after the closing of the Loan, or in the case of a Loan for the purchase and rehabilitation of a Qualified Dwelling, within one hundred eighty (180) days of the closing of such Loan. A residence that is used as investment property or a recreational home, or that is primarily intended to be used in a trade or business (including, without limitation, any residence of which more than five percent (5%) of the total area is reasonably expected to be used primarily in a trade or business) does not satisfy the requirements of this subparagraph; and if applicable, meets the requirements of the FHA, RECD or USVA.

"FHA": The Federal Housing Administration.

"FHLMC": The Federal Home Loan Mortgage Corporation.

"FNMA": The Federal National Mortgage Association.

"Home Builder": An individual or entity approved by the Authority and that:

for the 12-month period preceding the date of its Home Builder Participation Agreement for participation in a Series Program had insurance coverage for product liability, worker's compensation and builder's risk; and

had constructed at least two buildings in that same preceding 12-month period or, in the alternative, had constructed at least four buildings in the 24-month period preceding the date of its Home Builder Participation Agreement for participation in a Series Program. An individual or entity that, for purposes of the Program, contracts with another individual or entity that is a Home Builder shall be considered a Home Builder.

"Home Builder Participation Agreement": The agreement between the Authority and a Home Builder pursuant to which the Home Builder agrees to construct new Qualified Dwellings for purchase by Eligible Borrowers, and the Authority agrees to purchase Loans financing such newly constructed Qualified Dwellings, under the terms and conditions set forth in such agreement.

"Household Income": The total annualized 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.

"Lender": A State-chartered bank, national banking association, mortgage banking association or institution, credit union, or State or federal savings and loan association:

that is located and qualified to do business in the State;

that is qualified to sell mortgages to FNMA and/or FHLMC (this requirement may 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); whose deposits are insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration, or that deposits its funds in State financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation;

whose Lender Application under a Series Program has been accepted by the Director based upon the satisfaction of the requirements of that Series Program and a determination of financial suitability after consideration of the net assets, lending capacity, and experience of the lender over the past twelve (12) months in residential mortgage lending; and

if applicable, has been approved by the FHA, RECD or USVA, as the case may be. The Authority may also be a Lender.

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

"Loan": A Loan made by a Lender to an Eligible Borrower for the purchase, or the purchase and rehabilitation, of a Qualified Dwelling that is secured by a Mortgage on such Qualified Dwelling.

"Low-Income Household": A single person, family or unrelated persons living together whose adjusted income is more than 50%, but less than 80%, of the median income of the area of residence, adjusted for family size, as such adjusted income and median income for the area are determined from time to time by the United States Department of Housing and Urban Development for purposes of Section 8 of the United State Housing Act of 1937 (42 U.S.C. 1437).

"Members": The Members of the Authority.

"Mortgage": The mortgage, or other instrument in the nature of a mortgage, creating a first mortgage lien on a fee interest in real estate, together with all supplements, modifications or amendments to it.

"Mortgage Purchase Agreement": The agreement between a Lender and the Authority that sets forth the general requirements for, and the general terms and conditions under which the Authority will purchase, Loans.

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

"Notes": The notes issued by the Authority pursuant to the Act and a Resolution from time to time to finance the Program.

"Notice of Acceptance": The Authority's notice to a Lender accepting its Lender Application.

"Notice of Reservation of Funds": The Authority's notice to a Home Builder (1) accepting its Home Builder Participation Agreement and (2) setting forth the amount of the Home Builder's Reservation.

"Part": This Part 366.

"Pool Insurance": The policy or policies of insurance insuring the Authority's exposure for loss in connection with defaults on Loans purchased by the Authority under a Series Program. The Authority may provide Pool Insurance or its equivalent.

"Pool Insurer": The insurer that the Authority selects pursuant to bid to provide Pool Insurance, or reinsurance for Pool Insurance, for a Series Program. The Authority may be a Pool Insurer.

"Private Mortgage Insurance": Insurance coverage paid for by the Eligible Borrower that insures the Authority against losses with respect to defaults on a Loan according to the terms of the insurance policy.

"Program": The Illinois Affordable Housing Bond Program.

"Property Value": The lesser of the purchase price and the appraised value of the Qualified Dwelling at the time of the origination of the Loan secured by such Qualified Dwelling; or in the case of a Loan for the purchase and rehabilitation of a Qualified Dwelling, the lesser of the purchase price and 110% of the appraised value of the Qualified Dwelling after the completion of rehabilitation.

"Qualified Dwelling": A fee simple interest in a single family residence:

that is located in the State;

upon which there is located a structure or structures designed for residential use;

that is a single family residence; a one-, two-, three- or four-unit structure; or factory-made housing that is permanently fixed to real property;

of which not more than five percent (5%) of the total area is reasonably expected to be used primarily in a trade or business; and

if applicable, meets the requirements of the FHA, RECD or USVA, as the case may be.

Qualified Dwelling does not include stock or any other ownership interest in a cooperative housing corporation or organization or factory-made housing not permanently fixed to real property.

"RECD": The United States Department of Agriculture, Rural Economic and Community Development.

"Reservation": The amount of funds reserved to a Home Builder in a Series Program pursuant to a Home Builder Participation Agreement and a Notice of Reservation of Funds.

"Resolution": Any Resolution or indenture adopted by the Authority pursuant to the Act authorizing the issuance of Bonds or Notes and setting forth the general terms and conditions under which the Authority may issue, deliver and sell Bonds and Notes, as amended and supplemented from time to time.

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

"Series Program": A mortgage purchase program authorized by a Resolution to become a part of the Program.

"Servicer": A Lender, or its designated servicer, that has been approved by the Director, Deputy Director or Assistant Director as a Servicer and that has executed a Servicing Agreement with the Authority. 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:

that is located and qualified to do business in the State;

that 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;

the deposits of which are insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration, or that deposits its funds in State financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation; and

if applicable, has been approved by the FHA, RECD and/or the USVA.

The Authority may also be a Servicer.

"Servicing Agreement": The agreement between a Servicer and the Authority that sets forth the general terms and conditions for the servicing of Loans purchased by the Authority.

"Single Family Program": A program under which the Authority purchases Loans on Qualified Dwellings.

"Special Hazard Insurance": Insurance that provides protection with respect to loss on properties acquired upon foreclosure of a defaulted Loan by reason of damage to properties caused by certain hazards (including earthquakes, and to a limited extent, tidal waves and related water damage) not insured against under a standard hazard insurance policy required to be obtained by each Eligible Borrower, or a flood insurance policy if the property is in a federally designated flood area. The Authority may provide Special Hazard Insurance or its equivalent.

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

"State": The State of Illinois.

"USVA": The United States Department of Veterans' Affairs.

"Very Low-Income Household": A single person, family or unrelated persons living together whose adjusted income is not more than 50% of the median income

of the area of residence, adjusted for family size, as such adjusted income and median income for the area are determined from time to time by the United States Department of Housing and Urban Development for purposes of Section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437).

Section 366.104 Borrowing by the Authority

To the extent allowed by State law, the Act and the Affordable Housing Act, the Authority may borrow funds with which to purchase Loans or incur other obligations under the Program.

Section 366.105 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:

- a) the purpose of the Program;
- b) the financial condition and previous experience of potential and participating Lenders, Servicers and Home Builders;
- c) the Authority's ability to purchase or redeem the Bonds and to comply with the requirements of any Resolution;
- d) the financial integrity of the Program;
- e) the desirability of achieving a reasonable geographic distribution of Net Proceeds throughout the State; and
- f) the standards of the prudent lender or investor.

Section 366.106 Forms and Procedures for the Program

The Staff may prepare, use, supplement, and amend such forms, agreements, and other documentation and such procedures as may be necessary to implement the Program, all as may be prescribed by the Director, or, in the Director's absence, the Deputy Director or Assistant Director.

Section 366.107 Fees and Charges of the Authority

The Authority may establish and collect a Commitment Fee from each Home Builder executing a Home Builder Participation Agreement in an amount not to exceed three percent (3%) of such Home Builder's Reservation. The Authority shall return any Commitment Fee to any Home Builder with which it does not enter into a Home Builder Participation Agreement.

Section 366.108 Waiver

By Resolution, the Members may authorize the waiver or variance of particular provisions of this Part to conform to changes in the requirements of applicable State law. Upon the adoption of such a Resolution, the Authority shall submit a rulemaking that reflects such requirements of State law as expeditiously as possible.

Section 366.109 Amendment

This Part may be supplemented, amended, or repealed by the Members from time to time in accordance with the Illinois Administrative Procedure Act and in such manner as they may determine, consistent with the Rules, the Act, the Affordable Housing Act, the purposes of the Program and other applicable provisions of State law. This Part shall not constitute or create any contractual rights.

Section 366.110 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 to which such judgment is rendered.

Section 366.111 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 366.112 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 366.113 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 a Saturday, Sunday, or legal State or federal holiday.

SUBPART B: APPROVAL OF SINGLE FAMILY PROGRAMS

Section 366.201 Establishment of Single Family Program

From time to time, the Authority may establish a Single Family Program. Any such Single Family Program may contain provisions for the purchase of Loans on Qualified Dwellings to be constructed by Home Builders selected pursuant to Subpart D of this Part.

Section 366.202 Staff Recommendation to the Advisory Commission

For each proposed Single Family Program, the Staff shall prepare and present to the Advisory Commission a report for the Advisory Commission's recommendation.

Section 366.203 Authority Determination

The Staff shall present to the Members all recommendations from the Advisory Commission for Single Family Programs. The Authority may use the proceeds of Bonds or Notes for the purchase of Loans under a Single Family Program only upon approval of such Single Family Program by Resolution of the Members.

SUBPART C: LENDER APPLICATION PROCESS

Section 366.301 Invitations to Sell Loans

Upon approval of a Single Family Program by the Members, the Authority may send application materials to potential Lenders inviting them to submit to the Authority applications to participate in a Series Program. Lenders wishing to participate in such Series Program shall execute and return to the Authority the following documents: the Lender Application, the Mortgage Purchase Agreement (if not already executed) and the Servicing Agreement (if applicable and if not already executed). In addition, the Lender Application shall contain the following:

- a) The agreement of the prospective Lender, effective upon acceptance of the Lender Application by the Authority, to sell to the Authority Loans that comply with the terms of the Lender Application, the Notice of Acceptance and the Mortgage Purchase Agreement;
- b) The date by which the Lender Application must be submitted to the Authority;
- c) Provision for the prospective Lender to furnish such financial and other information as the Authority may reasonably require; and
- d) A statement of the maximum amount of fees and charges the Lender may charge a prospective Eligible Borrower in connection with a Loan.

Section 366.302 Notice of Acceptance

The Authority, by Notice of Acceptance, may commit itself, subject to the conditions set forth in the Lender Application and the Mortgage Purchase Agreement, to purchase Loans, as offered by a potential Lender in its Lender Application. Immediately after the Authority has issued its Notice of Acceptance to the Lender, the Authority shall execute a Mortgage Purchase Agreement (if not previously executed) with such Lender. Upon receipt of the Notice of Acceptance, the Lender shall be eligible to originate and sell to the Authority Loans in accordance with the terms of the Lender Application, the Notice of Acceptance and the Mortgage Purchase Agreement. The obligation of the Authority to purchase any Loan shall be subject to the issuance and sale of Bonds by the date set forth in the Lender Application in an amount sufficient to permit such purchase.

Section 366.303 Commitments for Loans

Upon the date indicated on the Notice of Acceptance, the Lender may begin to issue commitments to Eligible Borrowers to make Loans. The Lender may continue to issue firm commitments for the period set forth in the Notice of Acceptance. All Loans shall be closed by the date indicated in the Notice of Acceptance.

SUBPART D: HOME BUILDER APPLICATION PROCESS

Section 366.401 Home Builder Invitations

Upon approval by the Members of a Single Family Program containing provisions for the purchase of Loans on Qualified Dwellings to be constructed by Home Builders, the Authority may send application materials to potential Home Builders inviting them to submit to the Authority requests to participate in a Series Program. Such requests shall state the amount of the Home Builder's requested Reservation. Home Builders wishing to participate in such Series Program shall execute and return to the Authority the Home Builder Participation Agreement. The Home Builder Participation Agreement shall contain among other things, the following:

- a) The unconditional agreement of the prospective Home Builder, effective upon execution of the Home Builder Participation Agreement by the Authority, to construct Qualified Dwellings for sale to Eligible Borrowers that comply with the terms of the Notice of Reservation of Funds and the Home Builder Participation Agreement;
- b) Provision for the prospective Home Builder to provide such information about the Home Builder's construction activities during the period of 24 months prior to the date of the Home Builder Participation Agreement and such other information as the Authority may reasonably require; and
- c) A statement of the amount of any required Commitment Fee.

Section 366.402 Reservation of Funds for Construction of Qualified Dwellings

The Authority may make Reservations for prospective Home Builders from which the Authority has received timely Home Builder Participation Agreements and Commitment Fees (if required). In making such Reservations, the Authority shall consider with respect to each such prospective Home Builder the number of residential homes and other structures constructed by the Home Builder in the State within the 24 month period prior to the date of its Home Builder Participation Agreement; the Reservations requested by all prospective Home Builders for the Series Program; and the participation of the Home Builder in the Authority's previous Series Programs. Reservations shall be conclusive, subject to the adjustments permitted in Section 366.405 of this Part.

Section 366.403 Notice of Reservation of Funds

The Authority may commit itself by Notice of Reservation of Funds, subject to the terms and conditions set forth in the Home Builder Participation Agreement, to make a Reservation for a prospective Home Builder for the construction of Qualified Dwellings for Eligible Borrowers under a Series Program. Contemporaneously with the issuance of the Notice of Reservation of Funds to the Home Builder, the Authority shall execute the Home Builder Participation Agreement with that Home Builder. The amount of the Reservation for the Home Builder shall not exceed, and may be less than, such Home Builder's requested Reservation. Upon receipt of the Notice of Reservation of Funds, the Home Builder shall be obligated to construct Qualified Dwellings in accordance with the terms of the Home Builder Participation Agreement. The Reservation to the Home Builder shall be subject to the issuance and sale of Bonds by the date set forth in the Home Builder Participation Agreement in an amount sufficient to permit such Reservation.

Section 366.404 Real Estate Purchase Contracts

Upon receipt of the Notice of Reservation of Funds, the Home Builder shall construct Qualified Dwellings for sale to Eligible Borrowers. The Home Builder shall enter into standard residential purchase contracts with prospective Eligible Borrowers and refer such Eligible Borrowers to Lenders participating in the Series Program to obtain Loans in connection with the purchase of Qualified Dwellings. All Qualified Dwellings shall be constructed and sold to Eligible Borrowers by the date indicated in the Home Builder Participation Agreement.

Section 366.405 Transfer of Reserved Funds

If a Home Builder fails or is unable to construct and sell Qualified Dwellings in the amount of its Reservation on the terms and conditions, and within the time period, set forth in the Home Builder Participation Agreement, the Authority may, at the request of the Home Builder, reallocate all or a part of the unused portion of the Home Builder's Reservation to other Home Builders or to other projects within the Series Program in which the Home Builder is participating; redeem all or part of the Bonds issued with respect to such unused portion of the

Reservation, but only if permitted by the Series Resolution authorizing the issuance of the Bonds; or undertake a combination of the above.

SUBPART E: PURCHASE OF LOANS

Section 366.501 Loans

Each Loan to be purchased under the Program shall comply with the terms of the Lender Application, the Home Builder Participation Agreement (if applicable), the Notice of Acceptance, and the Mortgage Purchase Agreement and shall specifically comply with the following requirements:

- a) The original principal amount of each Loan, unless such Loan is the subject of insurance or guaranty by the FHA, RECD or the USVA, shall not exceed 97% of the Property Value. If such Loan is the subject of insurance or guaranty by the FHA, RECD or USVA, the principal amount of the Loan shall not exceed the amount approved by such agency. Each Loan that has a Loan-to-Property Value ratio in excess of 80% at the time of origination shall:
- b) be insured by a private mortgage insurer licensed to do business in the State and qualified to insure single family mortgages purchased by the FHLMC or successor federal agency to the extent, if any, required, so that the uninsured portion of such Loan shall not exceed 72% of the Property Value; or
- c) be subject to insurance or guaranty by the FHA or USVA or any other agency or instrumentality of the United States of America having similar powers to insure or guarantee mortgage loans.
- d) Each Loan to be purchased by the Authority shall be secured by a Mortgage on a Qualified Dwelling and shall also meet the applicable terms and conditions set forth in the Home Builder Participation Agreement (if applicable), the Lender Application, the Notice of Acceptance and the Mortgage Purchase Agreement. Lenders shall sell to the Authority, and the Authority shall purchase, only Loans made to Eligible Borrowers.
- e) Each Mortgage securing a Loan to be purchased by the Authority shall:
 - 1) be executed on a form approved by the Authority;
 - 2) be a valid first mortgage lien on a Qualified Dwelling;
 - 3) be consistent with Illinois law; and
 - 4) conform with the requirements prescribed by the Authority and any applicable insurer.

- f) Each Loan to be purchased by the Authority shall be non-assumable and non-assignable, unless otherwise required by applicable State or federal law, and shall contain a provision giving the Authority the right to accelerate the maturity of the Loan upon sale or lease of the Qualified Dwelling.
- g) The Authority shall not purchase any Loan if, on the date of purchase, the obligor of the Loan is delinquent in the payment of any installment of principal, interest or other amounts due under the terms of such Loan.
- h) The Authority may foreclose Mortgages held as security for Loans purchased under this Part that are in default according to their terms, or reassign such Mortgages to the Lender in accordance with the terms of the Mortgage Purchase Agreement. The Authority may take title in its name upon foreclosure and subsequently convey title to such property to any qualified insurer of the mortgage or any bona fide purchaser of the property.

Section 366.502 Terms and Conditions of the Purchase of Loans

- a) The Authority shall purchase Loans on the terms and conditions and in the manner prescribed in the Mortgage Purchase Agreement. The Mortgage Purchase Agreement shall contain such warranties of the Lender in connection with the Loans to be sold thereunder as the Authority shall require, and shall include, among others, the following warranties:
 - 1) The mortgagor is an Eligible Borrower;
 - 2) The Loan is evidenced by a properly executed promissory note made payable or assigned to the order of the Lender, endorsed by the Lender to the Authority and is secured by a Mortgage on the Qualified Dwelling; both the note and the Mortgage are the legal, valid, and binding obligations of their makers and mortgagors 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 Loan had full legal capacity to execute all Loan documents at the time of execution;
 - 3) The Mortgage and any other document required to be filed in a public office to perfect the mortgage lien against third parties have been duly and timely filed, registered, or recorded by the Lender in the proper public office in order to give constructive notice of such mortgage lien to all subsequent purchasers or encumbrancers;
 - 4) The Lender, as the sole owner and holder of the Loan, has full right to sell and assign the 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 Loan;

- 5) The Mortgage creates a valid and existing first mortgage lien on the Qualified Dwelling to secure the Loan, subject to easements and other matters affecting title generally acceptable to lenders making mortgage loans in the State;
- 6) The Lender has not modified in any respect and has not satisfied, canceled, subordinated, or compromised in whole or in part the 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, and the terms, covenants, and conditions of the note evidencing the Loan and the Mortgage securing the Loan have not been waived, altered, or modified in any respect that would materially affect the validity or enforceability of the Loan or the security of the lien of the Mortgage;
- 7) The real property securing the Loan is a Qualified Dwelling;
- 8) The Qualified Dwelling is covered by a valid and existing policy of hazard insurance meeting the requirements of the Authority;
- 9) The Lender has complied as follows:
 - A) as to each FHA-insured 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. The FHA insurance shall be in full force and effect and, upon purchase by the Authority of the Loan, shall inure to the benefit of the Authority;
 - B) as to each Loan guaranteed by the USVA or RECD, 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. Any such guaranty shall be in full force and effect and, upon purchase by the Authority of the Loan, shall inure to the benefit of the Authority; and
 - C) as to each Loan insured by a private mortgage insurance company, with all rules and requirements of such company. Any such insurance shall be in full force and effect and, upon purchase by the Authority of the Loan, shall inure to the benefit of the Authority;

The Loan is covered by a fully paid mortgagee's title insurance policy in such form as the Authority may require; and

- 10) To the best of Lender's information, knowledge and belief, no condition exists that would prohibit the purchase of the Loan by the Authority under all applicable rules, regulations and contractual provisions.
- 11) The Mortgage Purchase Agreement shall provide that the Authority shall have the right to require the Lender to repurchase Loans sold to the Authority by the Lender if the Director, Deputy Director or Assistant Director determines that the Lender has failed to comply with the requirements of either this Part or its contracts and agreements with the Authority under the Program.

Section 366.503 Mortgage Pool Insurance

If required by the applicable Series Resolution, the Authority shall obtain Pool Insurance for each Series Program in an amount not less than that percentage of the original aggregate principal amount of the Loans authorized by such Series Resolution. Such Pool Insurance shall insure the Authority against losses arising from an event of default under any Loan covered by the policy in an amount equal to the unpaid principal balance of, and accrued interest on, the 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 amount received by the Authority under any other insurance policy on the Loan or from disposition of such premises or substantially similar benefits.

Section 366.504 Special Hazard Insurance

If required by the applicable Series Resolution, the Authority shall obtain Special Hazard Insurance for such Series Program in the amount required by such Series Resolution.

Section 366.601 Servicing of Loans

The Authority shall cause all Loans purchased by the Authority to be serviced by a Servicer pursuant to the Servicing Agreement.

Section 366.602 Equal Opportunity Lending

In making 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, familial status, handicap, ancestry, national origin, or unfavorable military discharge; and shall otherwise be subject to all State and federal requirements with respect to non-discrimination in lending.

Section 366.603 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,

the Affordable Housing Act and all contracts and agreements between the Authority and such Lender relating to the Program.

Section 366.604 Termination

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