

Draft: 1/06/10

ORIGINATION, SALE AND SERVICING AGREEMENT

FOR THE

SINGLE FAMILY MORTGAGE REVENUE BONDS
(MORTGAGE-BACKED SECURITIES PROGRAM)
SERIES 2009

OF

DAKOTA COUNTY COMMUNITY DEVELOPMENT AGENCY

DATED AS OF DECEMBER 1, 2009

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ORIGINATION, SALE AND SERVICING AGREEMENT

THIS ORIGINATION, SALE AND SERVICING AGREEMENT, dated as of December 1, 2009 (the “*Agreement*”), by and among the financial institution signing this Agreement as a Lender (hereinafter referred to individually as the “*Lender*” and together with other lenders entering into substantially similar agreements, the “*Lenders*”); U.S. Bank National Association, d/b/a U.S. Bank Home Mortgage – MRBP Division (hereinafter referred to as the “*Servicer/Administrator*”) and the Dakota County Community Development Agency (hereinafter referred to as the “*Issuer*”);

WITNESSETH:

WHEREAS, the Issuer has authorized the issuance of its single family mortgage revenue bonds pursuant to Minnesota Statutes, Chapters 462A, 462C, 469, 474A and Section 383D.41, as amended (together, the “*Act*”) to fund its program of financing the costs of residential ownership for persons of low and moderate income at prices they can afford, all in accordance with the Act;

WHEREAS, the Act authorizes the Issuer to issue its bonds and use the proceeds to acquire mortgage loans or securities backed by mortgage loans and to secure the payment of the bonds by a pledge of the mortgage loans or securities acquired;

WHEREAS, the Issuer has determined to implement its 2009 Single Family Housing Finance Program (the “*Housing Finance Program*”) to assist low and moderate income first time homebuyers residing or intending to reside within Dakota County, Minnesota;

WHEREAS, pursuant to the Act, the Issuer has determined to issue its Single Family Mortgage Revenue Bonds (Mortgage-Backed Securities Program) in one or more series during 2010 (the “*Bonds*”) to finance the acquisition of Certificates (as hereafter defined) backed by mortgage loans which meet all requirements and restrictions set forth in this Agreement (the “*Mortgage Loans*”) pursuant to the Issuer’s Housing Finance Program;

WHEREAS, sections 103, 141, 143, and 146 through 149 of the Internal Revenue Code of 1986, as amended (the “*Code*”), provide that the interest on obligations issued by or on behalf of a state or a political subdivision thereof, the proceeds of which are to be used to finance owner-occupied residences, or on bonds issued to refund such obligations, shall be exempt from federal income taxation if such issue meets certain requirements stated in said sections; and

WHEREAS, in order to carry out the Housing Finance Program, the Issuer, the Servicer/Administrator and the Lenders have determined to enter into this Agreement pursuant to which: (a) the Issuer agrees to use its best efforts to issue the Bonds and cause the proceeds to be applied as provided herein and in the Indenture; (b) the Servicer/Administrator agrees to accept general responsibility for administering the Housing Finance Program, monitoring the Lenders’ performance, purchasing the Mortgage Loans from the Lenders, selling Certificates backed by the Mortgage Loans to the applicable Certificate Purchaser, servicing the Mortgage Loans, preparing certain periodic reports, and performing certain other duties in connection with the Housing Finance Program; (c) the Lenders agree to originate the Mortgage Loans and sell the Mortgage Loans to the Servicer/Administrator; and (d) the Issuer, the Servicer/Administrator, and the Lenders each agree to perform certain actions and to follow reasonable procedures to ensure compliance with Section 143 of the Code;

NOW, THEREFORE, in consideration of the representations, warranties and mutual agreements contained herein, the Lender, the Servicer/Administrator and the Issuer severally agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. All words and phrases defined in this Article I (except as expressly provided otherwise herein or unless the context otherwise requires) shall have the respective meanings specified in this Article I for all purposes of this Agreement.

“*Acquisition Cost*” means the cost to a Mortgagor of acquiring a Residence from the Seller as a completed residential unit, including:

(a) All amounts paid, either in cash or in kind, by the Mortgagor (or a related party or for the benefit of the Mortgagor) to the Seller (or a related party or for the benefit of the Seller) as consideration for the Residence. A Residence includes property such as light fixtures or wall-to-wall carpeting, so long as such property is considered to be a fixture under State law. If the Mortgagor purports to separately purchase such fixtures, the cost of those fixtures must be included in the Acquisition Cost. Property such as furniture or appliances is not considered part of a Residence so long as such property is not considered to be a fixture under State law and the cost of acquiring such items is not included in Acquisition Cost (unless the cost of acquiring such items is in excess of fair market value, in which case the amount of the excess must be included in the Acquisition Cost of the Residence). Thus, if the Mortgagor agrees to purchase the refrigerator, washer, and dryer from the Seller for \$1,000 more than the fair market value of such items, the additional \$1,000 must be included in the Acquisition Cost. In addition, if in connection with the purchase of a Residence the Mortgagor agrees to pay or assume liability for a debt of the Seller, the amount of such debt must be included as part of the Acquisition Cost;

(b) If a Residence is incomplete, the reasonable cost of completing the Residence, whether or not such cost is financed with the proceeds of the Mortgage Loan. For example, where the Residence is so incomplete that occupancy is not permitted under local law, the acquisition cost includes the cost of completing the Residence so that occupancy is permitted; and

(c) If the Residence is purchased subject to a ground lease, the capitalized value of the ground rent using a discount rate equal to the Bond Yield.

Acquisition Cost does not include (i) usual and reasonable settlement costs or financing costs; (ii) the value of services performed by the Mortgagor or members of the Mortgagor's family in completing the Residence; (iii) the cost of land that has been owned by the Mortgagor for at least two years prior to the date on which construction of the Residence begins; (iv) amounts paid by the Mortgagor (or a related party for the benefit of the Mortgagor) for personal property which does not constitute a fixture; and (v) amounts paid by the Mortgagor for painting, minor repairs, floor refinishing or other fix-up expenses. Settlement costs include titling and transfer costs, title insurance, survey fees, or other similar costs. Financing costs include credit reference fees, legal fees, appraisal expenses, "points" that are paid by the Mortgagor (but not the Seller, even though borne by the Mortgagor through a higher Acquisition Cost) and other costs of financing the Residence. However, such amounts will be excluded in determining Acquisition Cost only to the extent that the amounts do not exceed the usual and reasonable costs which would be paid by a buyer where financing is not provided through a qualified mortgage bond program. For example, if the Mortgagor agrees to pay to the Seller more than a *pro rata* share of property taxes, such excess shall be treated as part of the Acquisition Cost of a Residence. For purposes of determining the value of services performed by the Mortgagor's family in completing the Residence, the family of an individual shall include only the individual's brothers and sisters (whether by the whole or half blood), spouse, ancestors, and lineal descendants. For example, where the Mortgagor builds a Residence alone or with the help of family members, the Acquisition Cost includes the cost of materials provided and work performed by subcontractors (whether or not related to the Mortgagor) but does not include the imputed cost of any labor actually performed by the Mortgagor or a member of the Mortgagor's family in constructing the Residence. Similarly, where the Mortgagor purchases an incomplete Residence the Acquisition Cost includes the cost of material and labor paid by the Mortgagor to complete the Residence but does not include the imputed value of the Mortgagor's labor or the labor of the Mortgagor's family in completing the Residence.

For purposes of Qualified Rehabilitation Loans, the costs of Rehabilitation shall be included in the Acquisition Cost of the Residence.

"Act" means Minnesota Statutes, Chapters 462A, 462C, 469 and 474A and Section 383D.41, as amended.

"*Affidavit of Cosignor or Guarantor*" means an affidavit in the form set forth in **Exhibit B**, which is to be executed by the cosignors and/or guarantors of a Mortgage Loan, if any, in connection with each Mortgage Loan purchased by the Servicer/Administrator hereunder.

"*Affidavit of Mortgagor*" means an affidavit in the form set forth in **Exhibit B**, which is to be executed by the Mortgagor in connection with each Mortgage Loan purchased by the Servicer/Administrator hereunder.

"*Affidavit of Seller*" means an affidavit in the form set forth in **Exhibit B**, which is to be executed by the Seller in connection with each Mortgage Loan purchased by the Servicer/Administrator hereunder.

"*Agreement or Agreements*" means this Origination, Sale and Servicing Agreement, dated as of December 1, 2009, by and among the Servicer/Administrator, the Issuer and the Lender executing this Agreement, and all exhibits, amendments, or supplements hereto, and all such agreements entered into by the Servicer/Administrator, the Issuer and the respective Lenders relating to the Bonds.

“*Applicable Median Family Income*” means the median gross income for the Minneapolis/Saint Paul Metropolitan Statistical Area, as published from time to time by the Department of Housing and Urban Development pursuant to Section 8 of the United States Housing Act of 1937 or as otherwise determined pursuant to said Section.

“*Assignment of Mortgage Note and Mortgage*” means the instrument completed and executed by a Lender, in recordable form, and pursuant to which a Lender assigns and delivers the related Mortgage and endorses the Mortgage Note to the Servicer/Administrator in connection with the purchase of the related Mortgage Loan by the Servicer/Administrator.

“*Assumption and Release Agreement*” means a written agreement in the forms attached hereto as **Exhibit H and Exhibit I**, entered into pursuant to Section 6.11 of this Agreement.

“*Average Area Purchase Price*” means either the safe harbor average area purchase price figure most recently published by the Department of the Treasury pursuant to section 143(e) of the Code for the Minneapolis/Saint Paul Metropolitan Statistical Area, as described in Rev. Proc. 2009-18, or any successor revenue procedure. Such figures may change from time to time as new figures are published.

“*Bond Counsel*” means Leonard, Street and Deinard Professional Association, Minneapolis, Minnesota, or such other firm of nationally recognized bond counsel as the Issuer shall select which is experienced in the issuance of tax-exempt revenue bonds under the exemptions provided under Section 103 of the Code.

“*Bond Yield*” means the yield on the Bonds as determined on behalf of the Issuer in accordance with Section 143(g)(2)(C) of the Code and applicable regulations thereunder.

“*Bondholders,*” “*Owner*” or “*Registered Owner*” means the registered owner of any Bond.

“*Bonds*” means one or more series of the Issuer’s Single Family Mortgage Revenue Bonds (Mortgage-Backed Securities Program) issued or reissued pursuant to the Indenture.

“*Business Day*” means any day other than (a) a Saturday, Sunday or legal holiday, (b) a day on which banking institutions located in the State, or the city in which the principal corporate trust office of the Trustee is located, are required or are authorized by law or executive order to close, and (c) a day on which the New York Stock Exchange is closed.

“*Certificate Acquisition Period*” means the period or periods identified on the Servicer/Administrator’s website and in a Notice of Availability during which the Servicer/Administrator may sell to the Certificate Purchaser Certificates backed by Mortgage Loans bearing interest at the Mortgage Loan Rate then in effect.

“*Certificate of Compliance*” means the Certificate of Compliance of the Servicer/Administrator substantially in the form of **Exhibit E** attached hereto and made a part hereof that is to be executed in connection with each Certificate purchased under this Agreement.

“*Certificate of Lender*” means the certificate in the form set forth in **Exhibit B**, with any changes thereto approved by the Servicer/Administrator (with the consent of Bond Counsel) and provided to Lenders by the Servicer/Administrator that is to be executed by the Lender in connection with each Mortgage Loan purchased by the Servicer/Administrator hereunder.

“*Certificate of Servicer/Administrator*” means the certificate substantially in the form of **Exhibit F**, which is to be executed by the Servicer/Administrator in connection with each Certificate purchased hereunder.

“*Certificate Purchase and Resale Agreement*” means the Certificate Purchase and Resale Agreement dated as of December 1, 2009, by and between the Issuer and Minnesota Housing Finance Agency, as amended or supplemented from time to time.

“*Certificate Purchase Price*” shall be the price at which the Servicer/Administrator will sell Certificates to the Certificate Purchaser, as described in Section 6.14 hereof.

“*Certificate Purchaser*” means the entity purchasing Certificates, which shall be the Minnesota Housing Finance Agency, to the extent it has agreed to purchase Certificates pursuant to the Certificate Purchase and Resale Agreement, or, at the written direction of the Issuer, the Trustee.

“*Certificates*” means GNMA Certificates, and, if and to the extent provided in a Supplemental Notice, shall also mean Fannie Mae MBSs and/or Freddie Mac PCs.

“*Closing*” means the execution of a Mortgage Note and Mortgage by an Eligible Borrower and the concurrent origination and funding of a Mortgage Loan by a Lender pursuant to Section 4.04 of this Agreement.

“*Closing Date*” means, with respect to a Closing, the date of such Closing.

“*Code*” means the Internal Revenue Code of 1986, as amended, together with the corresponding and applicable final, temporary, or proposed regulations and revenue rulings issued or amended with respect thereto by the United States Treasury or the Internal Revenue Service, to the extent applicable to the Bonds.

“*Commitment*” means a binding written commitment by a Lender, in the form customarily used by the Lender in its owner-occupied home lending practice or in the mortgage lending industry, to a prospective Mortgagor to finance the purchase of a particular Residence with a Mortgage Loan, which commitment shall be for a stated period of time, for a stated amount and for the then-applicable Mortgage Loan Rate.

“*Compliance Package*” means the documents that the Servicer/Administrator requires the Lender to deliver in connection with the sale of a Mortgage Loan to the Servicer/Administrator which are necessary for the Servicer/Administrator to determine that the Mortgage Loan complies with this Agreement.

“*Conventional Mortgage Loan*” means a Mortgage Loan other than a FHA Mortgage Loan or a VA Mortgage Loan satisfying the requirements of Freddie Mac or Fannie Mae for programs for which Mortgage Loans may be automatically pooled in a Fannie Mae MBS or Freddie Mac PC, as applicable. ***Unless the Issuer provides to the contrary in a Supplemental Notice, Conventional Mortgage Loans may not be originated under this Housing Finance Program.***

“*Debtor Relief Laws*” means any applicable liquidation, conservatorship, bankruptcy, insolvency, rearrangement, moratorium, reorganization, or similar debtor relief laws affecting the rights of creditors generally from time to time in effect in the State or under the Laws of the United States of America.

“*Defect*” means any circumstance which constitutes a basis for repurchase of a Mortgage Loan and DPL by the Lender, pursuant to Section 4.17 hereof.

“*Discount Fee*” means the discount fee, if any, in an amount equal to 0.0% of the original principal amount of each Mortgage Loan.

“*DPL*” or “*Downpayment Assistance Loan*” means a subordinate mortgage loan made to a Mortgagor in accordance with Section 4.07 hereof.

“*DPL Documents*” means the DPL Mortgage, DPL Note and other documents required to be submitted by a Lender in connection with a specific DPL pursuant to Section 4.07 hereof.

“*DPL Mortgage*” means the subordinate mortgage securing a DPL in the form attached hereto as Exhibit K.

“*DPL Note*” means the promissory note evidencing a DPL in the form attached hereto as Exhibit J.

“*Eligible Borrower*” means a person or persons: (i) whose Household Income does not exceed the applicable Maximum Household Income then in effect; (ii) who intends to occupy the Residence to be financed with a Mortgage Loan as his or her Principal Residence within a reasonable period (not to exceed 60 days) following the Closing of such Mortgage Loan; (iii) who (except in the case of a Qualified Rehabilitation Loan) has not had a Present Ownership Interest in a Principal Residence (except for the Residence being financed with the Mortgage Loan) at any time during the three-year period ending on the Closing Date; (iv) who (except in the case of a Qualified Rehabilitation Loan) has not had an existing mortgage (including a deed of trust, conditional sales contract, pledge, agreement to hold title in escrow, or any other form of owner-financing), whether or not paid off, on the Residence to be financed with such Mortgage Loan at any time prior to the execution of the Mortgage, other than an existing mortgage securing a construction period loan, bridge loan, or similar temporary initial financing, having an original term not exceeding 24 months, and not providing for scheduled payments of principal during such term; and (iv) who has not previously obtained a Commitment for a Mortgage Loan under the Housing Finance Program.

“*Existing Residence*” means a Residence that is not a Newly-Constructed Residence.

“*Fannie Mae Guaranty Fee*” means the monthly fee payable to Fannie Mae by the Servicer/Administrator from the Servicing Fee in connection with a Fannie Mae MBS, in an amount or amounts to be established by a Supplemental Notice if and to the extent Fannie Mae MBSs are permitted to be issued hereunder.

“*Fannie Mae Guides*” means the Fannie Mae Selling and Servicing Guides, as amended from time to time, as modified by a Pool Purchase Contract.

“*Fannie Mae MBS*” means a single pool, guaranteed mortgage pass-through Fannie Mae Mortgage-Backed Security, providing for the final regularly scheduled payment thereunder to be made not later than the 25th day of the month immediately preceding the final maturity date of the Bonds, bearing interest at the applicable Pass Through Rate, issued by Fannie Mae in book-entry form recorded in the name of the Trustee or its nominee, guaranteed as to timely payment of principal and interest by Fannie Mae and backed by Conventional Mortgage Loans in the related Pool with a latest loan maturity date not later than the first day of the second calendar month preceding the final maturity date of the

Bonds. Unless the Issuer provides to the contrary in a Supplemental Notice, Fannie Mae MBSs may not be purchased by the Certificate Purchaser under this Housing Finance Program.

“*FHA*” means the Federal Housing Administration of the Department of Housing and Urban Development of the United States of America, or any successor thereto.

“*FHA Insurance*” means insurance on mortgage loans presently issued by FHA under the National Housing Act of 1934, as amended, pursuant to one of the following FHA Insurance programs:

- (a) FHA Section 203(b), Home Unsubsidized;
- (b) FHA Section 203(b)(2), Veterans Status;
- (c) FHA Section 234(c), Condominium Ownership; or
- (d) FHA Section 203(k), Rehabilitation.

“*FHA Mortgage Loan*” means a Mortgage Loan that is insured by the Federal Housing Administration.

“*Freddie Mac*” means the Federal Home Loan Mortgage Corporation or any successor thereto.

“*Freddie Mac Guaranty Fee*” means the monthly fee payable to Freddie Mac by the Servicer/Administrator from the Servicing Fee in connection with a Freddie Mac PC, in an amount or amounts to be established by a Supplemental Notice if and to the extent Freddie Mac PCs are permitted to be issued hereunder.

“*Freddie Mac Guide*” means the Freddie Mac Single Family Seller/Servicer Guide, as amended from time to time.

“*Freddie Mac PC*” means a Freddie Mac mortgage participation certificate providing for the final regularly scheduled payment thereunder to be made not later than thirty (30) days prior to the final scheduled maturity date of the Bonds, bearing interest at the Pass-Through Rate, issued by Freddie Mac in book entry form, recorded in the name of the Trustee or its nominee, guaranteed as to timely payment of principal and interest by Freddie Mac and backed by Mortgage Loans in the related pool, with a latest loan maturity date not later than sixty (60) days prior to the final scheduled maturity date of the Bonds. Unless the Issuer provides to the contrary in a Supplemental Notice, Freddie Mac PCs may not be purchased by the Certificate Purchaser under this Housing Finance Program.

“*GNMA*” means the Government National Mortgage Association, a wholly-owned corporate instrumentality of the United States of America within the Department of Housing and Urban Development, and its successors or assigns. Its powers are prescribed generally by Title III of the National Housing Act of 1934, as amended (12 U.S.C. §1716 *et seq.*).

“GNMA Certificate” means a certificate (in either physical or book-entry form) purchased by the Trustee, issued by the Servicer/Administrator and guaranteed by GNMA pursuant to GNMA’s GNMA II Mortgage-Backed Securities program under Section 306(g) and other related provisions of the National Housing Act of 1934, as amended, and based on and backed by Mortgage Loans referred to in the GNMA Guaranty Agreement, which certificate shall provide for the final regularly scheduled payment thereunder to be made not later than the 20th day of the month preceding the final maturity date of the Bonds, and shall unconditionally obligate the Servicer/Administrator to remit monthly to J.P. Morgan Chase Bank, as Central Paying and Transfer Agent (“CPTA”) its *pro rata* share of (x) principal payments and prepayments made with respect to the Pool of Mortgage Loans represented by the GNMA Certificate and (y) interest received in an amount equal to the principal balance of the GNMA Certificate multiplied by the applicable Pass-Through Rate. GNMA shall guarantee to the holder of each GNMA Certificate such holder’s *pro rata* share of (i) the timely payment of interest at the applicable Pass-Through Rate on the unpaid principal balance of the Mortgage Loans represented by the GNMA Certificate and (ii) the timely payment of principal in accordance with the terms of the principal amortization schedule applicable to the Mortgage Loans represented by such GNMA Certificate.

“GNMA Commitment” means that certain Commitment to Guarantee Mortgage-Backed Securities, issued by GNMA to the Servicer/Administrator, pertaining to the Mortgage Loans in an amount at least equal to the maximum principal amount of Mortgage Loans to be originated under the Housing Finance Program, and bearing a “GNMA Mortgage Pool Number” (defined in the GNMA Guide), together with any amendments or supplements thereto or extensions thereof

“GNMA Guaranty Agreement” means the one or more Guaranty Agreements between the Servicer/Administrator and GNMA now or hereafter in effect pursuant to which GNMA has agreed or will agree to guarantee GNMA Certificates.

“GNMA Guaranty Fee” means the monthly fee equal to 1/12th of 0.06% of the outstanding balance of the Mortgage Loans in a pool payable monthly to GNMA by the Servicer/Administrator from the Servicing Fee in connection with the issuance of the guaranty by GNMA for a GNMA Certificate.

“GNMA Guide” means the GNMA Mortgage-Backed Securities Guide, HUD Handbook 5500.3, in effect from time to time.

“GNMA’s Custodian” means the party designated as such by GNMA to act in such capacity.

“Household Income” means, with respect to a person, the “gross monthly income,” multiplied by twelve, of such person and of any other person who is expected to live in the Residence being financed and is over 18 years of age, all as determined in accordance with Worksheet One attached to such person’s Mortgagor Affidavit. For purposes of this definition, “gross monthly income” includes the sum of monthly gross pay, any additional income from overtime, part-time employment, bonuses, dividends, interest, royalties, pensions, VA compensation, and net rental income, etc. and other income (such as alimony, child support, public assistance, sick pay, social security benefits, unemployment compensation, income received from trusts, and income received from business activities or investments).

“Housing Finance Program” means the Issuer’s 2009 Single Family Housing Finance Program, as implemented through the Housing Finance Program Documents.

“Housing Finance Program Documents” means this Agreement, the Indenture, and all other agreements, instruments, certificates, affidavits, and exhibits attached to or contemplated by any of the foregoing.

“*Indenture*” means that certain Trust Indenture, dated as of December 1, 2009, by and between the Trustee and the Issuer, and all amendments and supplements thereto.

“*Issuer*” means the Dakota County Community Development Agency, or any successor to its duties under this Agreement.

“*Law*” or “*Laws*” means all applicable statutes, laws, Acts, regulations, orders, writs, injunctions, or decrees of the United States or any agency thereof, or any state or political subdivision thereof, or any court of competent jurisdiction thereof.

“*Lender*” means the entity executing and delivering this Agreement as a Lender.

“*Lender’s Manual*” means the manual prepared by the Servicer/Administrator for the origination and delivery of Mortgage Loans to be purchased by the Servicer/Administrator and the eligibility, credit, and security underwriting standards applicable thereto, and for servicing of Mortgage Loans included in a Pool for a Freddie Mac PC, GNMA Certificate and/or a Fannie Mae MBS, as may be amended from time to time by the Servicer/Administrator. The Lender’s Manual will comply with Loan Origination Guidelines and all requirements of this Agreement intended to comply with Section 143 of the Code.

“*Loan Origination Guidelines*” means the guidelines established by the Issuer in this Agreement for the origination of Mortgage Loans to be purchased by the Servicer/Administrator and the eligibility, credit, and security underwriting standards applicable thereto, as may be amended from time to time.

“*Maximum Acquisition Cost*” means, initially, the following limits:

1-Unit	Duplex
\$276,683	\$389,205

Note that 2-unit properties are not eligible for Mortgage Loans under this Housing Finance Program unless they have been occupied as residences for at least 5 years prior to the closing of the Mortgage Loan. The foregoing limits shall be effective until the Lenders receive notice from the Servicer/Administrator of revised Maximum Acquisition Cost amounts (such notice to be given promptly following the Servicer/Administrator’s receipt of such information from the Issuer or Bond Counsel).

“*Maximum Household Income*” means the following limits for the following households:

<u>1 or 2 persons</u>	<u>3 or more persons</u>
\$83,900	\$92,290

Notwithstanding the foregoing, 50% of the funds available to make Mortgage Loans must be held for persons or families with incomes not greater than \$83,061 for the first six months of the Origination Period.

The foregoing amounts shall be effective until the Lenders receive a supplemental notice from the Servicer/Administrator of revised Maximum Household Income limits (such notice to be given promptly following the Servicer/Administrator's receipt of such information from the Issuer or Bond Counsel). In any event, Maximum Household Income of: (a) 1- or 2-person households shall not exceed Applicable Median Family Income, and (b) 3- or more person households shall not exceed 110% of Applicable Median Family Income.

"Monthly Purchase Report" means the report to be provided to the Issuer, the Trustee and, at the direction of the Issuer, the Certificate Purchaser, by the Servicer/Administrator pursuant to Section 6.12 of this Agreement.

"Mortgage" means the instrument, including the Mortgage Rider and deed of trust, securing a Mortgage Loan that creates a first lien on a Residence subject to encumbrances permitted by FHA, VA, Fannie Mae or Freddie Mac, as applicable, and that shall be in form acceptable to FHA, VA, Fannie Mae or Freddie Mac, as applicable.

"Mortgage File" means such documents as may be required by the Servicer/Administrator, with respect to a particular Mortgage Loan (and the related DPL, if any) submitted to the Servicer/Administrator for purchase.

"Mortgage Loan" or "Loan" means a mortgage loan to a borrower satisfying the requirements of this Agreement bearing interest at a rate equal to the Mortgage Loan Rate in effect at the time the reservation is made and secured by a Residence.

"Mortgage Loan Rate" means the interest rate or rates set for Mortgage Loans originated hereunder and posted on the Servicer/Administrator's website. The Mortgage Loan Rate shall initially be 4.99% per annum.

"Mortgage Note" means the promissory note evidencing the obligation to repay a Mortgage Loan, that shall be in the form acceptable to FHA, VA, Fannie Mae or Freddie Mac depending on whether the Mortgage Note evidences an FHA Mortgage Loan, a VA Mortgage Loan or a Conventional Mortgage Loan, respectively, with such additions or modifications as may be required hereunder as approved by the Issuer and the Servicer/Administrator and provided to Lenders by the Servicer/Administrator.

"Mortgage Rider" means the Mortgage Rider, in substantially the form set forth in **Exhibit C**, to be attached to the Mortgage securing each Mortgage Loan.

"Mortgagor" means any person who has a Present Ownership Interest in the Residence and is the obligor(s) on a Mortgage Note, or a subsequent owner of a Residence who has assumed the Mortgage in accordance with this Agreement (but does not include a person who is liable on the Mortgage Note solely as a guarantor or cosignor, who does not have a Present Ownership Interest in the Residence and who executes the Affidavit of Cosignor or Guarantor, the form of which is set forth in **Exhibit B**).

"Mortgagor's and Sellers' Certification" means the forms of Affidavit of Mortgagor, Reaffirmation of Mortgagor, and Affidavit and Certification of Seller, set forth in **Exhibit B**, wherein each prospective Mortgagor and the Seller must certify as to certain matters.

"Net Proceeds of the Bonds" means the proceeds of the Bonds reduced by amounts in a reasonably required reserve or replacement fund, if any.

“Newly-Constructed Residence” means a Residence that, at the Closing Date, has not been permanently financed by any person as a Residence or previously occupied as a Residence (whether as an owner-occupied or rental unit) other than by the Mortgagor on a temporary basis pending the funding of the Mortgage Loan, as evidenced by the Affidavit of the Mortgagor and Seller’s, and that has been completed. This term includes a commercial, industrial, or manufacturing facility that was not previously used as residential housing but which has been rehabilitated to provide residential housing, so long as it otherwise meets the terms of this definition.

“Notice Address” means:

As to the Issuer: Dakota County Community Development Agency
1228 Town Centre Drive
Eagan, MN 55123
Attn: Executive Director
Telephone: (651) 675-4400
Fax: (651) 675-4444
Email: mulfers@dakotacda.state.mn.us

As to the Trustee: U.S. Bank National Association
U.S. Bank Corporate Trust Services
60 Livingston Avenue, 3rd Floor
EP-MN-WS3C
Attention: Corporate Trust Department
Telephone: (651) 495-3912
Fax: (651) 495-8096
E-mail: dan.sheff@usbank.com

As to the Servicer/
Administrator: U.S. Bank National Association
17500 Rockside Road
Bedford, Ohio 44146-2099
Fax: 216.475.8619
Attention: Sheryl Krocek
Telephone: 216.475.7719
E-mail: Sheryl.krocek@usbank.com
Attention: Louis Caresani
Telephone: 216.475.8275
E-mail: louis.caresani@usbank.com

As to the Lenders: At the addresses provided by the Lenders.

As to the Underwriter: RBC Capital Markets
Dain Rauscher Plaza
60 S. 6th Street (P15)
Minneapolis, MN 55402
Attention: Public Finance
Telephone: 612-371-7888
Fax: 612-371-7619
E-mail: frank.fallon@rbccm.com

“*Notice of Availability*” means written notice from the Issuer to the Lenders, Servicer/Administrator and Trustee of (i) the principal amount of Mortgage Loans which may be originated, sold to the Servicer/Administrator pooled into Certificates and sold to the Certificate Purchaser and (ii) the period during which such loans may be originated and sold to/purchased by the Servicer/Administrator and the date or dates by which the Servicer/Administrator must sell Certificates backed by such Mortgage Loans to the Certificate Purchaser.

“*Officer*” means any duly authorized officer of a Lender involved in, or responsible for, the origination, sale, or servicing of the Mortgage Loans whose name appears on a list furnished by a Lender to the Servicer/Administrator, the Issuer, and the Trustee, as such list may be amended from time to time.

“*Officer’s Certification*” means the certification in the Certificate of Lender, executed by an Officer in connection with each Mortgage Loan purchased by the Servicer/Administrator hereunder that shall represent such Lender’s warranty with respect to all of the terms and conditions hereof.

“*Origination Fee*” means a fee in an amount equal to 1.00% of the unpaid principal amount of a Mortgage Loan, which amount may be collected and retained by the Lender in connection with each Mortgage Loan originated hereunder.

“*Origination Period*” means the period established by the Issuer pursuant to a Notice of Availability or a Supplemental Notice during which the Lenders may originate Mortgage Loans and sell them to the Servicer/Administrator.

“*Pass-Through Rate*” means the annual interest rate or rates on Certificates which may be sold to the Certificate Purchaser, which shall be twenty-five basis points (0.25%) lower than the Mortgage Loan Rate applicable to the Mortgage Loans in the Pool backing such Certificate, or such other rate as may be established by the Issuer by delivery of a Supplemental Notice from time to time.

“*PMI Insurer*” means any private mortgage insurance company approved by Fannie Mae or Freddie Mac and providing Private Mortgage Guaranty Insurance on Conventional Mortgage Loans.

“*Pool*” means with respect to a Certificate, the pool of Mortgage Loans the beneficial ownership of which is represented by such Certificate, as described in the schedule of pooled mortgages pertaining to such Certificate.

“*Pool Purchase Contract*” means (i) a Pool Purchase Contract between the Servicer/Administrator and Fannie Mae relating to the sale by the Servicer/Administrator of Mortgage Loans into a Fannie Mae MBS, and (ii) a Freddie Mac Pool Purchase Contract between the Servicer/Administrator and Freddie Mac relating to the sale by the Servicer/Administrator of Mortgage Loans into a Freddie Mac PC. Unless the Issuer provides to the contrary in a Supplemental Notice, Conventional Mortgage Loans may not be originated, and Fannie Mae MBSs and Freddie Mac PCs may not be purchased by the Certificate Purchaser under this Housing Finance Program.

“*Present Ownership Interest*” means (i) a fee simple interest; (ii) a joint tenancy, a tenancy in common, or tenancy by the entirety; (iii) the interest of a tenant-shareholder in a cooperative; (iv) a life estate; (v) a land contract (i.e., a contract pursuant to which possession and the benefits and burdens of ownership are transferred although legal title is not transferred until some later time); and (vi) an interest held in trust for a person (whether or not created by such person) that would constitute a present ownership interest if held directly by such person. The term “Present Ownership Interest” does not include (i) a remainder interest; (ii) a lease with or without an option to purchase; (iii) a mere expectancy to inherit an interest in a Principal Residence; (iv) the interest that a purchaser of a Residence acquires on

the execution of a purchase contract; or (v) an interest other than an interest in a Principal Residence during the previous three years. A Present Ownership Interest in a mobile home or other factory-made housing that was permanently affixed to real property owned by the loan applicant constitutes a Present Ownership Interest in a Principal Residence.

“*Principal Residence*” means a Residence (or one unit in a two-family Residence) that can reasonably be expected to be occupied by the Mortgagor as the principal Residence of the Mortgagor. The term “*Principal Residence*” does not include a home used as an investment property or as a recreational home or a home that is primarily intended to be used in a trade or business, as evidenced by the use of more than 15% of the total area in a trade or business. Any use of a home that does not qualify for a deduction allowable for certain expenses incurred in connection with the business use of a home under section 280A of the Code shall not be considered as a use in a trade or business.

“*Private Mortgage Guaranty Insurance*” means a private mortgage guaranty insurance policy issued by a PMI Insurer with respect to a Conventional Mortgage Loan in accordance with the terms hereof in a form and providing coverage in an amount as shall be approved by Fannie Mae in accordance with the Fannie Mae Guide or Freddie Mac in accordance with the Freddie Mac Guide.

“*Purchase*” means the purchase of a Mortgage Loan by the Servicer/Administrator from a Lender on a Purchase Date pursuant to Section 4.10 of this Agreement.

“*Purchase Date*” means the date of any Purchase of Mortgage Loans hereunder by the Servicer/Administrator during the Origination Period, which dates shall be determined by the Servicer/Administrator.

“*Purchase Price*” means the price to be paid by the Servicer/Administrator to a Lender for a Mortgage Loan, which shall be 100.5% of the unpaid principal balance of such Mortgage Loan, plus any accrued interest thereon.

“*Qualified Rehabilitation*” means a Rehabilitation of a Residence if:

(a) the Mortgagor to whom the Qualified Rehabilitation Loan is made will be the first resident of the Residence after completion of the Rehabilitation;

(b) there is a period of at least twenty (20) years between the date on which the structure was first used and the date on which the physical work of Rehabilitation began;

(c) (I) fifty percent (50%) or more of the existing external walls of the structure are retained in place as external walls in the Rehabilitation process, and (II) seventy-five percent (75%) or more of the existing external walls of the structure are retained in place as internal or external walls, and (III) seventy-five percent (75%) or more of the existing internal structural framework of the building is retained in place; and

(d) the total expenditure for the Rehabilitation equals twenty-five percent (25%) or more of the Mortgagor’s “adjusted basis” in the Residence.

For purposes of this definition, the Mortgagor’s “adjusted basis” in the Residence is his or her adjusted basis for purposes of determining gain or loss on the sale or exchange of a capital asset (as defined in Section 1221 of the Code). The Mortgagor’s adjusted basis shall be determined as of the date of completion of the Rehabilitation, or, if later, the date the Mortgagor acquires the Residence. The amounts expended for the Rehabilitation include all amounts expended for the

Rehabilitation work regardless of whether the expenditure is a capital expenditure, so long as it is made during the Rehabilitation of the Residence and is reasonably related to the Rehabilitation of the Residence (but excluding the value of any labor contributed by the Mortgagor or a member of the Mortgagor's family); provided, that only capital expenditures includable in "adjusted basis" shall be included for the purposes of clause (d) above.

When a Mortgagor acquires a Residence that has been rehabilitated, the twenty-five percent (25%) test is determined by comparing total expenditures made by the seller for the Rehabilitation of the Residence with the Acquisition Cost of the Residence to the Mortgage. The total expenditures made by the Seller for rehabilitation do not include the cost of acquiring the Residence but do include all amounts directly expended by the seller for Rehabilitation (excluding overhead and other indirect charges).

"Qualified Rehabilitation Loan" means a Mortgage Loan made to finance the purchase and Qualified Rehabilitation of a Residence or the Qualified Rehabilitation of a Residence and the refinancing of existing debt in connection therewith, but only if the Mortgagor to whom such financing is provided is the first resident of the Residence after the completion of the rehabilitation.

"Rehabilitation" means the improvement of existing single family housing to improve the basic livability of the housing or restore it to a decent, safe and sanitary condition. Improvements may include room additions, renovation, improvement or construction of a garage, repair of sidewalks and improvements used or useful to conserve energy. Improvements shall not include the construction or improvement of recreational facilities, routine or minor repairs or maintenance, or cosmetic improvements unless coupled with the cure of substantial accumulation of deferred maintenance or other permitted improvements.

"Required Purchase Date" means the date by which such Mortgage Loans must be purchased by the Servicer, which date shall be (i) the first day of the 4th calendar month following the reservation date, if the reservation is made on or before the 15th day of a month, and (ii) the first day of the 5th calendar month following the reservation date, if the reservation is made after the 15th day of a month, or, if earlier, the last date identified in the related Notice of Availability.

"Residence" means real property and improvements permanently affixed thereon (but does not include property not constituting "fixtures" under State law and does not include a mobile home or any personal property) (i) that is located within Dakota County; (ii) that consists of a single family detached structure or a single unit in a multi-unit structure intended for residential housing for one family, or an entire duplex to be financed (but an entire duplex only if one of the units will be occupied by the Mortgagor and the Residence was first occupied for residential purposes at least five years prior to origination of the Mortgage Loan), but not including a mobile home or any personal property; and (iii) the Acquisition Cost of which does not exceed the applicable Maximum Acquisition Cost; *provided, however,* that land appurtenant to a Residence shall be considered as part of such Residence only if such land reasonably maintains the basic livability of such Residence and does not provide, other than incidentally, a source of income to the Mortgagor. No portion of a Residence shall consist of a health club facility, a facility primarily used for gambling, or a store the principal business of which is the sale of alcoholic beverages for consumption off premises.

"Seller" means, with respect to a Mortgage Loan, the seller of the Residence being financed with such Mortgage Loan.

“*Servicer/Administrator*” means U.S. Bank National Association, d/b/a U.S. Bank Home Mortgage – MRBP Division, a national banking association, or any successor to its rights, duties or obligations under this Agreement.

“*Servicing Acquisition Fee*” means the fee payable by the Servicer/Administrator to the Issuer for directing Lenders to sell Mortgage Loans, servicing released, to the Servicer/Administrator. The Servicing Acquisition Fee shall be calculated and payable as provided in Section 6.14 hereof.

“*Servicing Fee*” means a monthly GNMA II servicing fee payable to the Servicer for servicing in an amount equal to one-twelfth (1/12th) of twenty-five basis points (0.25%) (representing a nineteen basis point (.19%) servicing fee plus the GNMA Guarantee Fee in effect as of the date of execution of this Agreement of six basis points (.06%)) of the aggregate unpaid principal balance of the FHA Mortgage Loans and VA Mortgage Loans. In the event the Issuer authorizes the origination of Conventional Mortgage Loans, the Fannie Mae servicing fee or Freddie Mac servicing fee shall be an amount equal to one-twelfth of forty basis points (.40%) of the aggregate unpaid principal balance of the Conventional Mortgage Loans, or such other amount identified in a Supplemental Notice. The Servicing Fee, in any case, is retained by the Servicer/Administrator, and the Servicer/Administrator shall pay the applicable guaranty fees for GNMA, Fannie Mae or Freddie Mac from such amount.

“*Special Low-Income Mortgage Loan*” means a Mortgage Loan providing financing to an Eligible Borrower whose Household Income is equal to or less than \$83,061 (which is 99% (or 90% of 110%) of Applicable Median Income).

“*Special Low-Income Reservation*” means an amount equal to 50% of the principal amount of Mortgage Loans permitted to be originated hereunder, which must be held for the origination of Special Low-Income Mortgage Loans for a period beginning on the first date of the Origination Period and ending on June 25, 2010 (approximately six months after the beginning of the Origination Period).

“*State*” means the State of Minnesota.

“*Supplemental Financing*” means an extension of credit other than a Loan, made to a Mortgagor with respect to the acquisition and/or Rehabilitation of a Residence, the terms of which are consistent with Section 4.08 hereof.

“*Supplemental Notice*” means a notice from the Issuer of Housing Finance Program changes, given as provided in Section 9.01 hereof.

“*Title Policy*” means a mortgagee guaranty title insurance policy with respect to a Mortgage Loan in form acceptable to Freddie Mac, Fannie Mae or GNMA in an amount equal to the original principal amount of the Mortgage Loan, issued as of the Closing Date of such Mortgage Loan, and insuring the Lender and its successors and assigns.

“*Trustee*” means U.S. Bank National Association, a national banking association or any successor to its duties under the Indenture and this Agreement.

“*Underwriter*” means, as to the Market Bonds, RBC Capital Markets Corporation.

“*VA*” means the Veterans Administration, an agency of the United States of America, or any successor to its functions.

“VA Guaranty” means a guaranty of a Mortgage Loan by VA pursuant to the provisions of the Servicemen’s Readjustment Act of 1944, as amended.

“VA Mortgage Loan” means a Mortgage Loan guaranteed by VA in accordance with the provisions of and under the Servicemen’s Readjustment Act of 1944, as amended.

Section 1.02. Forms. All forms specified by the text hereof or by reference to exhibits attached hereto shall be substantially as set forth herein, subject to such changes that do not alter the substantive rights of the parties hereto or of the Bondholders or as may be required by applicable Laws hereafter enacted.

Section 1.03. Recitals, Table of Contents, Titles, and Headings. The terms and phrases used in the recitals of this Agreement have been included for convenience of reference only and the meaning, construction, and interpretation of such words and phrases for purposes of this Agreement shall be determined solely by reference to Section 1.01. The table of contents, titles, and headings of the articles and sections of this Agreement have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Agreement or any provision hereof or in ascertaining intent, if any question of intent should arise. References herein to any “Section” or “Exhibit” shall be to such designated Section or Exhibit to this Agreement unless otherwise stated.

Section 1.04. Interpretation. Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa. This Agreement, and all the terms and provisions hereof, shall be liberally construed to affect the purposes set forth herein and to sustain the validity of this Agreement.

ARTICLE II

REPRESENTATIONS, WARRANTIES, AND COVENANTS

Section 2.01. Representations, Warranties, and Covenants of the Issuer. The Issuer represents and warrants to, and covenants with, each Lender, the Servicer/Administrator, and the Trustee that:

(a) The Issuer is a public body corporate and politic duly organized and validly existing under the laws of the State. The Issuer has full power and authority to consummate all transactions, execute all documents, and issue all instruments contemplated by the Housing Finance Program Documents.

(b) The Issuer has found and determined that the Purchase of the Mortgage Loans by the Servicer/Administrator and the sale of the Certificates to the Certificate Purchaser under the terms of this Agreement to finance the acquisition by Eligible Borrowers of Residences will further and fulfill the public purposes of the Act.

(c) The execution and delivery of the Housing Finance Program Documents by the Issuer, the issuance of the Bonds by the Issuer in the manner contemplated by the Housing Finance Program Documents, and the performance of and compliance with the terms of the Housing Finance Program Documents by the Issuer will not violate any Laws in any respect that could have any material adverse effect whatsoever upon the validity, performance, or enforceability of any of the terms of the Housing Finance Program Documents.

(d) This Agreement and the Indenture, and all documents and instruments contemplated hereby that are executed and delivered by the Issuer, and the Bonds, when issued and authenticated or registered in accordance with the Indenture, will constitute valid, legal, and binding obligations of the Issuer, enforceable in accordance with their terms, except as the enforcement thereof may be limited by applicable Debtor Relief Laws.

(e) The Issuer proposes to issue or reissue the Bonds in 2010 and, upon such issuance, to cause the proceeds thereof to be applied according to the terms and conditions of the Housing Finance Program Documents.

Section 2.02. Representations, Warranties, and Covenants of the Servicer/Administrator. The Servicer/Administrator represents and warrants to, and covenants with, each Lender, the Issuer, and the Trustee that:

(a) The Servicer/Administrator is a national banking association duly organized, validly existing and in good standing under the laws of the United States of America, is qualified under the Laws of the State to do business in the State, and possesses all requisite authority, power, licenses, permits, and franchises to conduct any and all business contemplated by the Housing Finance Program Documents and to execute, deliver, and comply with its obligations under the terms of this Agreement, the execution, delivery, and performance of which have been duly authorized by all necessary corporate action.

(b) The execution and delivery of this Agreement, the GNMA Guaranty Agreement and any Pool Purchase Contract by the Servicer/Administrator in the manner contemplated herein and the performance and compliance by it with the terms hereof shall not violate (i) its organizational documents, or (ii) any Laws that could have any material adverse effect whatsoever upon the validity, performance, or enforceability of any of the terms of this Agreement, the GNMA Guaranty Agreement or a Pool Purchase Contract applicable to the Servicer/Administrator, and will not constitute a default (or an event that, with notice or lapse of time or both, would constitute a material default) under, or result in the breach of, any contract, agreement, or other instrument to which the Servicer/Administrator is a party or that may be applicable to it or any of its assets.

(c) The execution and delivery of this Agreement, the GNMA Guaranty Agreement and any Pool Purchase Contract by the Servicer/Administrator in the manner contemplated herein and therein and the performance and compliance with the terms hereof by it do not require the consent or approval of any governmental authority, or if such consent or approval is required, it has been obtained.

(d) This Agreement, the GNMA Guaranty Agreement and any Pool Purchase Contract, and all documents and instruments contemplated hereby and thereby that are executed and delivered by the Servicer/Administrator, shall constitute valid, legal, and binding obligations of the Servicer/Administrator, enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by applicable Debtor Relief Laws.

(e) The Servicer/Administrator is an FHA-approved and VA-approved mortgagee, is a GNMA-approved issuer and servicer of FHA-insured and VA-guaranteed mortgages, and meets all requirements of applicable Laws so as to be eligible to originate, purchase, hold, and service FHA-insured and VA-guaranteed Mortgage Loans. The Servicer/Administrator is a Freddie Mac-approved and Fannie Mae-approved seller and servicer of Conventional Mortgage Loans and meets all requirements of applicable Laws so as to be eligible to originate, purchase, hold, and

service Conventional Mortgage Loans. So long as the Servicer/Administrator shall continue to serve in the capacity contemplated under the terms of this Agreement, it shall not cause or suffer FHA, VA, Freddie Mac or Fannie Mae to withdraw the Servicer/Administrator's FHA-approved, VA-approved, Freddie Mac-approved and Fannie Mae-approved status, respectively, and shall maintain its good standing as a GNMA-approved, Freddie Mac-approved and Fannie Mae-approved servicer.

(f) From time to time the Servicer/Administrator shall report, as more fully set forth herein, information relating to the Mortgage Loans to the respective Lenders, the Issuer and the Trustee, and shall do every act and thing that may be necessary or required to perform its duties under this Agreement.

(g) The Servicer/Administrator agrees that, so long as it shall continue to serve in the capacity contemplated under the terms of this Agreement, it shall remain in good standing under the Laws of the jurisdiction of its organization and qualified under the Laws of the State to do business in the State, shall not dissolve or otherwise dispose of all or substantially all of its assets, and shall not voluntarily consolidate with or merge into any other entity or permit one or more other entities to consolidate with or merge into it; *provided, however*, that the Servicer/Administrator may, without violating the covenant contained in this subsection, consolidate with or merge into another entity, or permit one or more entities to consolidate with or merge into it, or sell or otherwise transfer to another such entity all or substantially all of its assets as an entirety and thereafter dissolve, if the surviving, resulting, or transferee entity, as the case may be, shall have a net worth equal to or greater than the net worth of the Servicer/Administrator immediately preceding any such merger, consolidation, or sale of assets, shall be qualified under the Laws of the State to do business in the State, shall be qualified under the Laws and have all necessary approvals required of the Servicer/Administrator under Section 2.02(e) to perform the Servicer/Administrator's duties under this Agreement, shall demonstrate to the reasonable satisfaction of the Issuer and the Trustee its ability to perform the duties of the Servicer/Administrator as specified under the Agreement, and shall assume in writing all of the obligations of the Servicer/Administrator under this Agreement. In such event the Issuer and, upon receipt of written direction from the Issuer, the Trustee, on its own behalf and on behalf of the Lenders, shall release the Servicer/Administrator in writing, concurrently with and contingent upon such assumption, from all obligations so assumed.

(h) No information or statement furnished by the Servicer/Administrator in any writing or report required hereunder delivered to the Lenders, the Issuer, or the Trustee shall, to the knowledge of the Servicer/Administrator, contain any untrue statement of a material fact or omit a material fact necessary to make the information, statements, or report not misleading.

(i) The Servicer/Administrator shall obtain completed and executed copies, as applicable, of the appropriate affidavits and certificates from sellers, Mortgagors, Lenders in forms attached hereto. In addition, no Mortgage Loan shall be purchased if the Servicer/Administrator receives information that conflicts with or contradicts any information contained in such affidavits and certificates prior to the Purchase of such Mortgage Loan.

(j) The Servicer/Administrator is familiar with all Freddie Mac, GNMA and Fannie Mae rules and regulations applicable to the Housing Finance Program and shall use diligent, reasonable efforts to remain familiar with all Freddie Mac, GNMA and Fannie Mae rules and regulations applicable to the Housing Finance Program, including, but not limited to, any changes or proposed changes in the Freddie Mac Guaranty Fee, GNMA Guaranty Fee, Fannie Mae Guaranty Fee, size of Pools or other features affecting the purchase of Mortgage Loans

hereunder, and shall promptly notify all Lenders of such changes or proposed changes of which the Servicer/Administrator becomes aware.

(k) The Servicer/Administrator shall indemnify and hold harmless the Issuer and the Trustee and their officers, directors, employees, and agents, including their respective counsel, against any liability for all claims, causes of action, costs, and expenses (including attorneys' fees), judgments, fines, and penalties which may be related to or arise out of any violation of law or breach of this Agreement resulting from any negligent act or omission of the Servicer/Administrator, its directors, officers, employees or agents hereunder.

(l) The Servicer/Administrator shall furnish an opinion of the Servicer/Administrator's legal counsel and will furnish such other documents at or prior to the delivery of the Bonds as may be reasonably requested by Issuer or other parties to the transactions contemplated hereby.

(m) During the Origination Period, the Servicer/Administrator shall use its best efforts to obtain and maintain GNMA Commitments which are in amounts sufficient to meet the anticipated needs of the Housing Finance Program. In the event the Issuer authorizes the origination of Conventional Loans hereunder, the Servicer will provide evidence satisfactory to the Issuer that the Servicer has received and accepted applicable Pool Purchase Contracts.

(n) Neither the Lender's Manual nor any other agreement between the Servicer/Administrator and the Lender will be deemed to modify or amend any provision of this Agreement, including, without limitation, any provision of this Agreement imposing restrictions or requirements necessary to preserve the tax-exempt status of interest on the Bonds.

Section 2.03. Representations, Warranties, and Covenants of the Lenders. The Lender represents and warrants to, and covenants with, each other Lender, the Servicer/Administrator, the Issuer, the Certificate Purchaser and the Trustee, that:

(a) The Lender is duly organized, validly existing, and in good standing under the Laws governing its creation and existence and is duly authorized and qualified to transact in the State any and all business contemplated by this Agreement and possesses all requisite authority, power, licenses, permits, and franchises to conduct its business and to execute, deliver, and comply with its obligations under the terms of this Agreement, the execution, delivery, and performance of which have been duly authorized by all necessary action. There is no litigation pending, or, to the Lender's knowledge, threatened, which if determined adversely to the Lender would adversely affect the Lender's ability to comply with its obligations hereunder.

(b) Neither the execution and delivery of this Agreement by the Lender nor the performance and compliance with the terms hereof by the Lender shall (i) violate the instruments creating the Lender or governing its operations, or (ii) violate any Laws that could have any material adverse effect whatsoever upon the validity, performance, or enforceability of any of the terms of this Agreement applicable to the Lender, or (iii) constitute a material default (or an event that, with notice or lapse of time or both, would constitute a material default) under, or result in the breach of, any material contract, agreement, or other instrument to which the Lender is a party or that may be applicable to the Lender or any of its assets.

(c) The execution and delivery of this Agreement by the Lender in the manner contemplated herein and the performance and compliance with the terms hereof by it do not

require the consent or approval of any governmental authority or, if such consent or approval is required, it has been obtained.

(d) This Agreement, and all documents and instruments contemplated hereby that are executed and delivered by the Lender, constitute and shall constitute valid, legal, and binding obligations of the Lender, enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by applicable Debtor Relief Laws.

(e) Unless waived in advance by the Servicer/Administrator, the Lender shall be, at the time of the origination of any FHA Mortgage Loan, VA Mortgage Loan, or Conventional Mortgage Loan for Purchase by the Servicer/Administrator, and at all times thereafter so long as the Lender shall continue to serve in the capacity contemplated under the terms of this Agreement, an FHA-approved direct endorsement lender and a VA-approved, a Freddie Mac-approved lender or a Fannie Mae-approved lender, and shall originate Mortgage Loans in accordance with the GNMA Guide, Freddie Mac Guide and the Fannie Mae Guides.

(f) The Lender shall comply, as to each FHA-insured Mortgage Loan, with the National Housing Act, as amended and supplemented, all rules and regulations issued thereunder, and all administrative publications published pursuant thereto. The Lender shall provide to the Mortgagor the Notice to Mortgagor of Potential Recapture Tax form (in the forms set forth in **Exhibit D and Exhibit G**) in connection with each FHA Mortgage Loan.

(g) The Lender shall comply, as to each VA-guaranteed Mortgage Loan, with the Servicemen's Readjustment Act of 1944, as amended and supplemented, all rules and regulations issued thereunder relating to VA-guaranteed home mortgage loans, and all administrative publications. The Lender shall provide to the Mortgagor the Notice to Mortgagor of Potential Recapture Tax (in the forms set forth in **Exhibit D and Exhibit G**) in connection with each VA Mortgage Loan.

(h) The Lender must be approved by the Servicer/Administrator prior to participation in the Housing Finance Program.

(i) The Lender shall comply, as to each Conventional Mortgage Loan, with all rules and regulations of the applicable PMI Insurer, the Freddie Mac Guide and the Fannie Mae Guides. The Lender shall provide to the Mortgagor the Notice to Mortgagor of Potential Recapture Tax (in the forms set forth in **Exhibit D and Exhibit G**) in connection with each Conventional Mortgage Loan.

(j) The Lender shall comply with the non-discrimination provisions of the Civil Rights Act of 1965 (78 Stat. 252), the regulations issued pursuant to such Act, and Executive Order 11246, Equal Employment Opportunity, dated September 24, 1965.

(k) From time to time the Lender shall report, as more fully set forth in this Agreement, information relating to the Mortgage Loans to the Issuer, the Trustee, and the Servicer/Administrator, and shall do every act and thing that may be necessary or required to perform its duties under the Housing Finance Program Documents.

(l) The Lender agrees that, so long as it shall continue to serve in the capacity contemplated under the terms of the Housing Finance Program Documents, it shall remain in good standing under the Laws governing its creation and existence and qualified under the Laws of the State to do business in the State, it shall not dissolve or otherwise dispose of all or

substantially all of its assets, and it shall not voluntarily consolidate with or merge into any other entity or permit one or more other entities to consolidate with or merge into it; *provided, however*, that the Lender may, without violating the covenant contained in this subsection, consolidate with or merge into another entity, or permit one or more entities to consolidate or merge into it, or sell or otherwise transfer to another such entity all or substantially all of its assets as an entirety and thereafter dissolve, if the surviving, resulting, or transferee entity, as the case may be, shall have a net worth equal to or greater than the net worth of the Lender immediately preceding any such merger, consolidation, or sale of assets, shall be qualified under the Laws of the State to do business in the State, shall be qualified under all Laws and have all necessary approvals required of the Lender under Section 2.03(e) to perform the Lender's duties under this Agreement, and shall demonstrate, to the reasonable satisfaction of the Issuer, the Trustee and the Servicer/Administrator, its ability to perform the duties of Lender as specified in this Agreement, and shall assume in writing all of the obligations of the Lender under this Agreement. In such event upon receipt of written direction from the Issuer, the Trustee, on its own behalf and on behalf of the Issuer, shall release the Lender in writing, concurrently with and contingent upon such assumption, from all obligations so assumed.

(m) No information, certificate of an Officer, statement furnished in writing, or report required hereunder, delivered to the Servicer/Administrator, the Issuer, or the Trustee shall, to the knowledge of the Lender delivering same, contain any untrue statement of a material fact or omit to state a material fact necessary to make the information, certificate, statement, or report not misleading.

(n) The Lender is a bank, trust company, savings bank, national banking association, savings and loan association, building and loan association, mortgage banker, mortgage company, credit union, life insurance company, or other financial institution that actively provides service or otherwise aids in the financing of mortgages on single family residential housing located within Dakota County, or is a holding company of any of the foregoing, and has originated mortgage loans to finance the purchase of a single family residence within Dakota County.

(o) The Lender shall indemnify and hold harmless the Issuer, the Servicer/Administrator and the Trustee, and their officers, directors, employees and agents against liability for any and all claims, causes of action, costs, and expenses (including attorneys' fees), judgments, fines, and penalties that may be related to or arise out of any violation of law or breach of this Agreement resulting from an act or omission of the Lender, its directors, officers, employees or agents hereunder.

(p) The Lender will provide to each Mortgagor upon origination of a Mortgage Loan the notice set forth in **Exhibit D**.

(q) The Lender must be approved by the Servicer/Administrator prior to participation in the Housing Finance Program.

(r) Nothing in this Agreement creates, or shall be construed as creating, a fiduciary relationship between the Issuer and Lender or the Servicer/Administrator and Lender, or as granting to, or creating in, the Lender any legal or equitable interest, right or title in or to any funds or accounts created under the Indenture.

(q) The Lender will not knowingly take any action or permit any action which is within its control to be taken which would to its knowledge impair the exclusion from gross income of interest on the Bonds for purposes of federal income taxation.

Section 2.04. Additional Representations, Warranties, and Covenants. (a) The Issuer, the Servicer/Administrator, and each Lender hereby declare their understanding and intent that the interest on the Bonds shall be excluded from gross income for federal income tax purposes pursuant to section 103 of the Code, and hereby severally covenant not to knowingly take, permit, or fail to take any action if such action or inaction would impair such exclusion from gross income or knowingly fail to take any action that would preserve such exclusion. The Issuer, the Servicer/Administrator, and each Lender further recognize that section 143 of the Code imposes certain eligibility requirements with respect to the Mortgages and the Mortgages acquired pursuant to the Housing Finance Program, including the following:

(i) that each Residence financed with a Mortgage Loan under the Housing Finance Program shall be located within Dakota County;

(ii) that each Residence financed with a Mortgage Loan under the Housing Finance Program shall be a Residence that, at the time of execution of the Mortgage, can reasonably be expected to become the Principal Residence of the Mortgagor within a reasonable period of time (not to exceed 60 days after the Closing Date of the Mortgage Loan);

(iii) that all of the Net Proceeds of the Bonds shall be used to finance the Residences of Mortgagors who did not have a Present Ownership Interest in a Principal Residence (other than the Residence being financed with the Mortgage Loan) at any time during the three-year period ending on the Closing Date (proceeds used to make Qualified Rehabilitation Loans shall be deemed to have satisfied this requirement);

(iv) that each Residence financed with a Mortgage Loan under the Housing Finance Program shall have an Acquisition Cost not in excess of the applicable Maximum Acquisition Cost;

(v) that the proceeds of the Bonds shall not be used to acquire or replace an existing mortgage, *i.e.*, that each Mortgage Loan (other than a Qualified Rehabilitation Loan) made under the Housing Finance Program shall be made to a person who did not have a mortgage (whether or not paid off) on the Residence securing such Mortgage Loan at any time prior to the execution of the Mortgage, except for certain temporary initial financing for a mortgage securing a construction period loan, a construction bridge loan, or similar temporary initial construction financing initially incurred for the sole purpose of acquiring the Residence and initially incurred within 24 months of the Closing Date, having an original term of 24 months or less, and not providing for scheduled payments of principal during such term;

(vi) that all Mortgage Loans financed by proceeds of the Bonds must be provided to Mortgagors whose Household Income does not exceed the applicable Maximum Household Income;

(vii) that, in the event of an assumption of any Mortgage Loan made under the Housing Finance Program, the requirements of subparagraphs (i) through (iv), inclusive, and subparagraphs (vi) and (viii) shall be met with respect to such assumption at the time of such assumption; and

(viii) that no Mortgage Loans shall be made with respect to a duplex unless (A) one unit of the Residence is the Principal Residence of the Mortgagor and (B) the Residence is an Existing Residence that was first occupied for residential purposes at least five years before the Mortgage Loan is executed. No more than 5% of the aggregate principal amount of the Mortgage

Loans made by any Lender shall be made with respect to the non-owner occupied unit in any two family Residences.

(b) Section 143 of the Code further requires: (i) that the Issuer attempt in good faith to meet all such requirements before the Mortgages are executed by placing restrictions in the Housing Finance Program Documents that permit the financing of Mortgage Loans only in accordance with such requirements and by establishing reasonable procedures to ensure compliance with such requirements, including reasonable investigations by the Issuer or its agents, including the Lenders and the Servicer/Administrator, to determine that the Mortgage Loans satisfy such requirements; (ii) that 95% or more of the Net Proceeds of the Bonds that are devoted to owner financing under the Housing Finance Program shall be devoted to eligible Residences as to which, at the time the Mortgages are executed, all such requirements are met; and (iii) that any failure to meet such requirements shall be corrected within a reasonable time after such failure is discovered, for example, by requiring repayment in full of the nonqualifying Mortgage Loan or by replacing the nonqualifying Mortgage Loan with a Mortgage Loan meeting such requirements.

(c) The Issuer, the Servicer/Administrator, and each Lender each hereby covenant and agree to establish and follow reasonable procedures as set forth in the Housing Finance Program Documents to ensure compliance with the foregoing requirements.

(d) Section 143 of the Code further requires that the Issuer make proceeds available, for at least one year after the date on which Bond Proceeds are first made available to finance Mortgage Loans, to finance Residences located in a targeted area, as defined by the Regulations. There are no federal targeted areas within the jurisdiction of the Issuer.

(e) The Issuer covenants that no more than 2% of the proceeds of the Bonds will be expended to pay the cost of issuing the Bonds.

(f) The Issuer, the Servicer/Administrator and each Lender agree that no portion of the proceeds of the Bonds may be used to provide any airplane, sky box or other private luxury box, health club facility, facility primarily used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises.

(g) The Issuer, each Lender and the Servicer/Administrator further agree that, to the extent the applicable Treasury regulations are amended in a manner that applies to the Bonds, each of such parties will enter into an amendatory agreement that incorporates such amendments into this Agreement.

(h) The Servicer/Administrator covenants that neither the Servicer/Administrator nor any "related person" (as defined in Section 144(a)(3) of the Code) to the Servicer shall acquire, pursuant to any arrangement, formal or informal, Bonds of the Issuer in an amount related to the amount of Mortgage Loans to be acquired by the Servicer/Administrator.

Section 2.05. Notice to Servicer/Administrator. If, at any time, any representation or warranty of a Lender set forth in this Agreement would not be true and correct in all respects if made by the Lender at such time (regardless of whether such representation or warranty is actually made, deemed to be made, or required to be made at such time), such Lender shall immediately notify the Servicer/Administrator of such fact and provide a full and accurate explanation thereof.

ARTICLE III

PARTICIPATION IN THE PROGRAM

Section 3.01. Participation. The Lender has submitted all items required by the Issuer, and shall use its best efforts to originate and to sell to the Servicer/Administrator Mortgage Loans in accordance with the requirements of the Housing Finance Program. Loans may be originated under the Housing Finance Program from time to time in amounts, with Mortgage Loan Rates and within such periods as set forth in a Notice of Availability, as the same may be amended or supplemented by the Issuer. Loans may only be originated hereunder subject to receipt of a reservation as provided below. The Lender has paid to the Issuer a nonrefundable program participation fee in the amount identified in the lender invitation for this Housing Finance Program.

Section 3.02. Reservations of Mortgage Loans. Prior to making a Commitment to make a Mortgage Loan and within 24 hours after taking an application for a Mortgage Loan, the Lender shall reserve funds for a Mortgage Loan by registering the Mortgage Loan through the Servicer/Administrator at www.mrbp.usbank.com. Approval or rejection of the registration will be immediate. Each Mortgage Loan registered must be delivered to the Servicer/Administrator for purchase prior to the expiration of the reservation and in any event within the period described in Section 3.06(c).

The registration of any Mortgage Loan will expire on the earlier of the following:

- (a) the Required Purchase Date, and
- (b) 30 days following the closing of the Mortgage Loan (which period may be extended to not more than 60 days in the sole discretion of the Servicer/Administrator),

unless the Mortgage Loan has been submitted to the Servicer/Administrator for purchase prior to the earliest of such dates.

Lenders shall be required to deliver each Mortgage Loan to the Servicer/Administrator before the expiration of the registration of such Mortgage Loan, for purchase at the Purchase Price, unless the expiration date is extended by the Servicer/Administrator, at its sole discretion, for a period not exceeding sixty (60) days from the Closing Date.

If, at any time subsequent to a reservation for a Mortgage Loan, it shall become apparent to the Lender that a Mortgage Loan will not proceed to closing for any reason, including, but not limited to the fact that such Mortgage Loan will not meet the requirements of this Agreement, the Lender shall promptly notify the Servicer/Administrator.

ARTICLE IV

ORIGINATION AND CLOSING OF MORTGAGE LOANS

Section 4.01. Agreement to Originate and Sell. The Lender hereby agrees to use its best efforts during the Origination Period to originate for sale to the Servicer/Administrator, without recourse (except as otherwise provided herein), at the Purchase Price, Mortgage Loans upon the terms and conditions set forth herein, in amounts for which the Lender makes reservations pursuant to Section 3.02.

Section 4.02. Issuance of Commitments; Reservations.

(a) *Commitments.* During the Origination Period, each Lender shall issue Commitments to Eligible Borrowers for Mortgage Loans for which the Lender makes a reservation pursuant to Section 3.02 and shall sell such Mortgage Loans to the Servicer/Administrator as soon as practicable after Closing. Each Commitment shall specify a Closing Date that shall be during the Origination Period and prior to expiration of the related reservation.

Applications for Mortgage Loans shall be accepted and processed on a first-come, first served basis, except as provided in subparagraph (b) of this Section 4.02.

(b) *Special Low-Income Reservation.* One half of the amount available to finance Mortgage Loans pursuant to each Notice of Availability must be reserved for Special Low-Income Mortgage Loans for six months from the date on which Mortgage Loans may first be originated pursuant to such Notice.

Section 4.03. Limitation on Financing Newly Constructed Residences. Prior to _____, a Mortgage Loan may be made for a “Newly Constructed Residence” only if:

(a) the Newly Constructed Residence is located in a “redevelopment area” within the meaning of Minnesota Statutes, Section 462C.071, Subd. 4;

(b) the Newly Constructed Residence is replacing a structurally substandard structure or structures;

(c) the Newly Constructed Residence is located on a parcel purchased by a housing and redevelopment authority or a city within its jurisdiction or conveyed to a housing and redevelopment authority, or such city within its jurisdiction, under Minnesota Statutes, Section 282.01, subdivision 1;

(d) the Newly Constructed Residence is part of a housing affordability initiative (as defined in MCAR, Parts 4900.3200 to 4200.3290), other than those financed with the proceeds from the sale of bonds, in which federal, state, or local assistance is used to substantially improve the terms of the financing or to substantially write down the purchase price of the new housing; or

(e) the Newly Constructed Residence is located in one of the following cities, which, as indicated on a list provided by the Metropolitan Council, have entered into a housing affordability agreement with the Metropolitan Council:

Apple Valley	Hastings	South St. Paul
Burnsville	Inver Grove Heights	Sunfish Lake
Eagan	Lakeville	West St. Paul
Empire Township	Mendota Heights	
Farmington	Rosemount	

Section 4.04. Origination Procedures; Mortgage Loan Terms. All Mortgage Loans originated by a Lender for Purchase by the Servicer/Administrator hereunder shall comply in all respects with all terms and provisions of this Agreement, including those set forth in this Section 4.04.

(a) *Origination Standards.*

(i) The Lenders shall originate all Mortgage Loans in accordance with the loan origination, eligibility, and credit underwriting standards of FHA, VA, Freddie Mac or Fannie Mae, as applicable, in effect during the Origination Period under the GNMA Guide, the Freddie Mac Guide, the Fannie Mae Guides, the Loan Origination Guidelines and the Lender's Manual.

(ii) Notwithstanding the foregoing, Lenders are permitted to accept cosignors and guarantors on behalf of Eligible Borrowers in accordance with the Agreement, *provided* that all the requirements of FHA, VA, Freddie Mac or Fannie Mae, as applicable, and the following conditions are met: (A) such cosignor/guarantor is acting in such capacity solely for purposes of providing additional security for the Mortgage Loan, (B) such cosignor/guarantor has no Present Ownership Interest or other financial interest in the Residence, (C) such cosignor/guarantor has no intention to and will not occupy the Residence as a permanent residence, and (D) the cosignor/guarantor executes the Affidavit of Cosignor or Guarantor.

(iii) Each Mortgage Loan shall have a servicing fee equal to the applicable Servicing Fee.

(b) *Mortgage Loan Terms.* Each Mortgage Loan:

(i) shall be made to an Eligible Borrower to provide financing for his or her Principal Residence;

(ii) shall be evidenced by a Mortgage Note and secured by a Mortgage creating a first lien on such Residence, subject to encumbrances permitted by FHA, VA, Fannie Mae or Freddie Mac, as applicable;

(iii) shall bear interest at the applicable Mortgage Loan Rate in effect at the time the reservation was made for such Mortgage Loan, which interest shall be payable in arrears;

(iv) shall provide for level monthly payments of principal and interest representing the amount necessary to fully amortize the Mortgage Loan over a 30 year term;

(v) shall provide for payments to be due and payable on the first day of each month and for an initial principal payment not later than the first day of the second month following the Closing Date, and may include provision for a grace period not exceeding 15 days and late payment charges in amounts not in excess of the customary charges permitted by the FHA, VA, Freddie Mac or Fannie Mae, as applicable;

(vi) shall be in a principal amount not exceeding such amount as conforms to the eligibility and credit underwriting standards specified herein and the applicable limitations of FHA, VA, Freddie Mac, the PMI Insurer or Fannie Mae, as applicable, as of the Closing Date;

(vii) shall be the subject of FHA Insurance, VA Guaranty or Private Mortgage Guaranty Insurance, as applicable, and shall conform in all respects to the eligibility and

credit underwriting standards specified by FHA, VA, PMI Insurer, Freddie Mac or Fannie Mae, as applicable; provided however, that no Conventional Loans may be originated hereunder unless and to the extent the Issuer provides a Supplemental Notice to the contrary. The Notice to Buyers (in the form of **Exhibit D**, as such form(s) may be amended from time to time upon directions from the Issuer or Bond Counsel) shall be used in connection with the origination of the Mortgage Loans. A copy of the executed Notice to Buyers, must accompany the application for insurance or guaranty, Form HUD 92900, and be included in the Mortgage File;

(viii) shall include a provision in a rider attached thereto restricting the assumption thereof to Eligible Borrowers under terms and conditions meeting the assumption requirements of this Agreement;

(ix) shall not be a “high cost” or “predatory loan” within the meaning of any federal, state or local law, statute, regulation or ordinance;

(x) shall be the subject of a Title Policy or a valid commitment for issuance of a Title Policy;

(xi) shall be current in payments of principal, interest, taxes, and insurance;

(xii) shall be in an amount not in excess of the Maximum Acquisition Cost of the Residence being financed;

(xiii) shall comply in all respects with the GNMA Guide and FHA or VA rules and regulations, or the Freddie Mac Guide, Fannie Mae Guides and Freddie Mac, Fannie Mae and PMI Insurer rules and regulations, each as applicable; and

(xiv) shall mature not later than 30 days prior to the final Bond maturity date.

(c) *Fees and Charges.* Upon receipt of an application for a Mortgage Loan, a Lender may charge an application fee, appraisal fee, credit report fee, and similar fees, but only to the extent permitted by Law and only to the extent such fees do not exceed the reasonable and customary amounts charged for mortgage loans not funded from the proceeds of tax exempt bonds. At the Closing, a Lender may collect from either the Eligible Borrower or Seller (i) the Origination Fee, (ii) the Discount Fee, if any; *provided* that neither the Origination Fee nor the Discount Fee exceed the applicable FHA, VA, GNMA, Freddie Mac or Fannie Mae limits; (iii) a Compliance Monitoring Fee of \$225.00, a Tax Service Fee of \$85 and a Transfer Fee of \$150.00, (iv) if there is an amortizing second mortgage, a one-time per-loan fee of \$175.00 may also be charged; and (v) all other reasonable and customary charges paid or incurred by Lender for hazard or mortgage insurance premiums, any FHA Insurance, VA Guaranty fee, Freddie Mac Guaranty Fee or PMI Insurer fee, survey, title insurance, appraisal fees, abstract and attorneys’ fees, recording or registration charges, escrow fees, file preparation fees, credit reports, and similar charges, but only to the extent permitted by Law and only to the extent such charges (other than the Compliance Monitoring Fee) do not exceed the reasonable and customary amounts charged by the Lender for mortgage loans not funded from the proceeds of tax exempt bonds. Any amounts collected by Lender with respect to a Mortgage Loan prior to the Closing Date from either the Eligible Borrower or the Seller shall be credited to the proper party at the Closing. No other fees, charges, or remuneration of any kind may be received by or on behalf of any Lender from any person in connection with a Mortgage Loan under this Housing Finance

Program other than a reimbursement by the Servicer/Administrator of any Downpayment Assistance Loan advanced to each Mortgagor by such Lender.

(d) *Verification of Mortgage Eligibility Requirements.* In order to ensure that each Mortgage Loan is made to an Eligible Borrower to finance a Residence in accordance with Section 143 of the Code, each Lender shall use good faith and all due diligence in carrying out the following procedures with respect to each Mortgage Loan:

(i) the Lender shall obtain an affidavit duly executed at closing by the Mortgagor and Seller, and the Affidavit of Cosignor or Guarantor, if appropriate, and shall review, verify and certify that the requirements of Sections 2.04 and 4.04(b) are satisfied;

(ii) except in the case of a Qualified Rehabilitation Loan, the Lender shall obtain signed or certified copies of the Mortgagor's executed federal income tax return or other written evidence from the Internal Revenue Service acceptable to the Servicer/Administrator for the three years preceding the Closing Date for the Mortgage Loan (except that the Mortgagor's federal income tax return for the immediately preceding tax year shall not be required, unless already filed, before April 1 of the then current calendar year) and shall review same to verify that the Mortgagor did not claim deductions for taxes or interest on indebtedness with respect to a Principal Residence; provided, however, that, in lieu of one or more of such tax returns, the Lender may accept the Mortgagor's certification contained in the Affidavit of Mortgagor that the Mortgagor was not required to file such a return in accordance with section 6012 of the Code during one or more of the preceding three years;

(iii) the Lender shall perform such additional investigation as may be appropriate under the circumstances (including, but not limited to, personal or telephone interviews with the Mortgagor and the Seller, examination of canceled checks or receipts evidencing payment of rent, review of employment and utility records, review of the purchase contract for the Residence to determine the Acquisition Cost, and review of title information to verify the absence of any existing permanent mortgage on the Residence executed by the Mortgagor) to verify that the requirements of section 143 of the Code (see Section 2.04) are satisfied as of the date of the execution of the Mortgage;

(iv) the Lender shall review the draft settlement statement to assure that all fees and charges and settlement and financing costs comply with the requirements of this Agreement;

(v) the Lender shall prepare, execute, and deliver the Certificate of Lender in the form set forth in **Exhibit B** attached hereto; and

(vi) the Lender shall carry out such additional verification procedures as may be reasonably requested by the Servicer/Administrator, the Trustee or the Issuer.

The obligations of the Lenders pursuant to this paragraph 4.04(d) shall inure to the benefit of the Issuer, the Trustee and the Servicer/Administrator.

(e) *Recapture of Federal Subsidy of Mortgage Loans.* Mortgagors may be required to share gain on the disposition of the Residence with the federal government. Under the Code, the benefit of the lower interest rates provided under the Housing Finance Program must be

“recaptured” upon disposition of the Residence within nine years of its acquisition. The Recapture is accomplished by means of a tax levied on the Mortgagor as part of his or her Individual Tax Liability when the Residence is sold or transferred. The Maximum Amount of the Recapture is equal to 6.25% of the Highest Principal Amount of the Mortgage Loan for which the Mortgagor was liable. This Maximum Amount is reduced *pro rata* to reflect shorter or longer than five year holding periods, decreasing to zero for sales occurring nine years or more after the Recapture period begins. The Maximum Amount is also reduced or eliminated for taxpayers whose income at the time of disposition of their Residence is less than the federally-prescribed Income Limit. The Recapture amount is subject to a limit of 50% of the amount of the gain realized on disposition of the Residence. The Recapture provisions do not apply to disposition of a Residence by reason of death or to any disposition occurring more than nine years after the Mortgagor becomes liable in whole or in part for the payment of the Mortgage Loan. The Lenders must provide to each Mortgagor, notice (A) upon receipt of a Mortgage Loan application, that the Mortgage Loan is subject to the Recapture provisions of the Code, in the form of **Exhibit D** attached hereto, and (B) upon the Closing of a Mortgage Loan, of the Federally-subsidized Amount and the Modified Amount applicable, during each of the nine years following the origination of the Mortgage Loan, due to qualifying income for each category of family size, in substantially the form of **Exhibit G** attached hereto. If such notices are attached to a Mortgage Loan and the Mortgage Loan is not in fact purchased by the Servicer/Administrator, the Lender shall give prompt written notice to the Mortgagor that these Recapture provisions are not applicable. Information returns required to be submitted by real estate brokers under section 6045(E) of the Code, and statements of such returns furnished to customers, must indicate whether the Seller’s Mortgage Loan was federally subsidized within the meaning of the Recapture requirements.

(f) *Maximum Acquisition Cost.* As set forth in 2.04(a)(iv), no Residence financed under the Housing Finance Program may have an Acquisition Cost in excess of the Maximum Acquisition Cost.

(g) *Limitation on Duplexes.* The aggregate amount of Mortgage Loans made by a Lender with respect to the non-owner occupied units in any duplexes financed shall not exceed 5% of the aggregate principal amount of Mortgage Loans made by such Lender.

(h) *First-Time Homebuyer.* The First-Time Homebuyer requirement does not apply to Qualified Rehabilitation Loans.

Each person executing the Mortgage (but not the Note, which may be co-signed by a person who is not a First-Time Homebuyer as provided below) and to whom financing is provided by the Note and each person acquiring a present ownership interest in the property must be a First-Time Homebuyer (subject to the exception set forth above). Each such person must not have had a present ownership interest in his or her principal residence at any time during the three-year period prior to the date on which the Mortgage is executed. For purposes of the preceding sentence, the Mortgagor’s interest in the residence with respect to which the financing is being provided is not taken into account, provided that the new mortgage requirement is satisfied. In the event there are legal questions regarding whether a prospective Mortgagor’s interest in his or her principal residence within the three-year period, the Lender may rely on an opinion of counsel to the Mortgagor in a form acceptable to the Issuer to determine whether such prospective Mortgagor is a First-Time Homebuyer.

In the event that there is more than one Mortgagor signing the Mortgage with respect to a particular residence, each of such Mortgagors must meet the three year requirement. A person who is

liable under the Note secured by the Mortgage but who does not have a present ownership interest in the residence subject to the Mortgage and will not occupy the Residence need not meet the three year requirement.

Section 4.05. New Mortgages.

a. *General.* Except as provided in subsection (b) below, (i) no part of a Loan may be used to acquire or replace an existing mortgage or contract for deed and (ii) each mortgage must be used to provide financing to persons who did not have a mortgage (whether or not paid off) on the Residence securing the Loan at any time prior to the execution of the Mortgage.

b. *Exception.* (i) The replacement of construction period loans, bridge loans or interim financing (with a term not longer than twenty-four (24) months or less), will not be treated as the acquisition or replacement of an existing mortgage, and (ii) clause (a) above does not apply to Qualified Rehabilitation Loans.

Section 4.06. Qualified Rehabilitation Loans.

a. *General Requirements.* Loans shall be made as Qualified Rehabilitation Loans, and the proceeds thereof may be used to acquire or discharge any lien or interest in the Residence, only if the terms set forth in the definitions of Qualified Rehabilitation and Qualified Rehabilitation Loan are satisfied

b. *Acquisition Cost; Maximum Principal Amount of Qualified Rehabilitation Loans.* The Acquisition Cost of a Residence financed by a Qualified Rehabilitation Loan shall be an amount equal to either (i) the Mortgagor's adjusted basis in the Residence at the completion of the Rehabilitation, including actual cost of the Rehabilitation work, or (ii) the Acquisition cost to the Mortgagor of a Residence Rehabilitated by the Seller; provided that in no event may the Acquisition Cost exceed the applicable Maximum Acquisition Cost or the amount which may be financed by a Loan. All Residences financed by a Qualified Rehabilitation Loan shall be treated as an existing residence for the purposes of determining Acquisition Cost.

The maximum principal amount of a Qualified Rehabilitation Loan which refinances existing debt shall be equal to the sum of (i) the actual cost of the Rehabilitation work, plus (ii) the outstanding principal amount of existing debt secured by an interest in the Residence, plus (iii) such other amounts as are permitted for inclusion in the principal amount of the Loan by applicable FHA or VA rules and regulations or the Freddie Mac Guide, Fannie Mae Guide or GNMA Guide; provided that in no event shall the principal amount of the Qualified Rehabilitation Loan include an amount attributable to Mortgagor's equity in the Residence.

The maximum principal amount of a Qualified Rehabilitation Loan made to finance the purchase and Rehabilitation of a Residence shall be equal to the sum of (i) the actual cost of the Rehabilitation work, plus (ii) the price paid by the Mortgagor to the Seller to purchase the Residence, plus (iii) such other amounts as are permitted for inclusion in the principal amount of the Loan by applicable FHA or VA rules and regulations or the Freddie Mac Guide, Fannie Mae Guide or GNMA Guide.

c. *Policy of Title Insurance.* The mortgagee's policy of title insurance for a Qualified Rehabilitation Loan shall be endorsed to delete the standard exception for mechanics' or materialmen's liens arising prior to the date of the Loan.

d. *Escrow for Completion.* Qualified Rehabilitation Loans may be closed prior to the date on which Rehabilitation has been completed if the Loan is originated by a Lender which is a qualified Freddie Mac Rehabilitation Lender or Fannie Mae Rehabilitation Lender or is specifically approved by the Servicer/Administrator, and, if applicable, is an FHA 203(k) approved Lender. If the Rehabilitation work has not been completed, such Lender shall, on behalf of the Mortgagor, establish an escrow fund with a financial institution or title company, and subject to escrow instructions, acceptable to the Servicer/Administrator, which escrow must be funded in an amount adequate to pay for any remaining work.

e. *Exception to New Mortgage and First-Time Homebuyer Requirements.* Qualified Rehabilitation Loans are not subject to the new mortgage requirement or to the First-Time Homebuyer requirement set forth in this Agreement.

Section 4.07. Issuer Down Payment Assistance Loans.

a. The Issuer may from time to time make available moneys to finance Down Payment Assistance Loans in amounts and subject to the limitations set forth in this Section. Each Mortgagor may obtain only one DPL. Each DPL shall meet the requirements for Supplemental Financing set forth in Section 4.08.

b. *Principal Amounts and Income Limits.* Mortgagors with:

(i) Household Incomes at or below 50% of Applicable Median Income, as set forth below, are eligible for a DPL in a principal amount equal to the lesser of 10% of the related Mortgage Loan, or \$10,000;

(ii) Household Incomes above 50%, but not more than 80%, of Applicable Median Income, as set forth below, are eligible for a DPL in a principal amount equal to the lesser of 5% of the Mortgage Loan, or \$7,500; and

(iii) Household Incomes over 80% of Applicable Median Income, as set forth below, are eligible for a DPL in a principal amount equal to 2.5% of the Mortgage Loan.

Family Size	50% of Applicable Median Income	80% of Applicable Median Income
1- person	\$29,350	\$44,800
2- person	\$33,550	\$51,200
3- person	\$37,750	\$57,600
4- person	\$41,950	\$64,000
5- person	\$45,300	\$69,100
6- person	\$48,650	\$74,250
7- person	\$52,000	\$79,350
8- person	\$55,350	\$84,500

c. *No Duplexes.* DPLs are not available for Mortgagors purchasing duplexes.

d. *Terms.* Each DPL made under this Section shall (i) be a non-interest bearing second mortgage loan made to a Mortgagor, (ii) shall mature on the maturity date provided in **Exhibit J**; (iii)

shall be evidenced by a DPL Note and secured by a DPL Mortgage in the respective forms of **Exhibit J** and **Exhibit K** attached hereto, or such other forms from time to time provided by the Issuer.

e. *Closing Procedures.* Each DPL shall be closed in the name of the Issuer and funded by the Lender simultaneously with the Closing of the related Mortgage Loan. The Lender will submit each DPL to the Servicer/Administrator simultaneously with submission of the related Mortgage Loan.

f. *Documentation.* At closing, the Lender shall (i) obtain from the Mortgagor, a properly executed DPL Note and DPL Mortgage, with all blanks filled in, in the forms of Exhibit J and Exhibit K hereto, or such other forms provided by the Issuer from time to time and (ii) arrange for the recording of the executed DPL Mortgage in the appropriate public land records office. The Lender shall provide to the Issuer copies of information requested by the Issuer to verify that the restrictions applicable to DPLs pursuant to this Section have been satisfied.

g. *Defective DPLs; Repurchase.* In the event the related Mortgage Loan is not accepted for purchase by the Servicer, or if the Lender is required to repurchase the Mortgage Loan pursuant to Section 4.17, the Lender shall purchase the related DPL from the Issuer at its principal amount. Such purchase shall occur within ten (10) days after the date on which the Mortgage Loan is rejected by the Servicer or shall occur on the date of repurchase of the Mortgage Loan, as appropriate.

In the event the Servicer/Administrator or the Issuer discovers that (i) any DPL does not comply with the requirement of this Section, or (ii) the Lender has not complied with the originating, closing or post-closing requirements of this Section, the Lender shall either correct the defect or non-compliance within sixty (60) days, or shall purchase the DPL from the Servicer/Administrator or the Issuer, as applicable. Such purchase shall take place within ten (10) days after the expiration of the 60-day cure period.

Upon repurchase of a DPL by a Lender, the Issuer shall assign the DPL Mortgage to the Lender and shall endorse the related promissory note to the Lender, without recourse.

Section 4.08. Supplemental Financing.

a. *Supplemental Financing.* Supplemental Financing may be provided to a Mortgagor by any person, including the Issuer, either by making a loan to the Mortgagor, or by purchasing a loan from the Lender, provided that any such Supplemental Financing must be disclosed to and approved by the Servicer/Administrator and acceptable to FHA, VA, Freddie Mac and Fannie Mae or GNMA, and provided further that, except as expressly provided in this Section or by Supplemental Notice, all Supplemental Financing shall comply with the following limitations:

i. any lien or other interest in the Residence securing the Supplemental Financing must be expressly subordinated to the lien of the Mortgage Loan; and

ii. the lien or interest in the Residence securing the Supplemental Financing may not be foreclosed unless the Mortgage has been foreclosed or is in the process of foreclosure, and the instrument securing the Supplemental Financing shall so state; and

iii. the promissory note evidencing the debt of Supplemental Financing, and any security instrument securing the promissory note, shall state that the sole recourse for non-payment of the debt shall be to the real estate and other security and there shall be no entitlement to any deficiency after foreclosure or enforcement of the security instrument; and

iv. if the Supplemental Financing requires the Mortgagor to make periodic payments, the debt service obligation of the Supplemental Financing shall be taken into account by the Lender for the purposes of Mortgage Loan underwriting, and

v. the terms and conditions of the Supplemental Financing shall not be such as to cause an increase of more than five percent (5%) in the Mortgagor's required payments in any one year under the Mortgage Loan and Supplemental Financing combined; provided that amounts payable upon a sale or other transfer of the Residence shall not be taken into account; and

vi. the Supplemental Financing, and the forms of instruments to be executed in connection therewith shall have been approved if necessary by FHA or VA or either of them or HUD and shall not be inconsistent with the requirements of Freddie Mac, Fannie Mae or GNMA Guides; and it shall be the obligation of the provider of the Supplemental Financing to obtain such approval.

vii. no instrument, agreement or document relating to any Supplemental Financing may contain any provision which provides, or could be construed to provide, for any lien against, or interest in, the Pledged Revenues (as defined in the Indenture) of the Housing Finance Program in favor of the provider of the Supplemental Financing, nor shall any such instrument, agreement or document provide for any means by which the provider of the Supplemental Financing (or any successor thereto) may hinder or prevent the exercise of the rights and remedies of the mortgagee of the Mortgage Loan;

viii. the Supplemental Financing must be prepayable by the Mortgagor at any time without premiums or penalty, but subject to such requirements as the then-current holder of the promissory note evidencing the supplemental financing may impose relating to determination of the amount due; and

ix. the Supplemental Financing will not prevent the inclusion of the related Mortgage Loan in a Pool represented by a Certificate.

b. *Inconsistent Supplemental Financing.* If the Servicer/Administrator determines that any proposed Supplemental Financing is inconsistent with this Section, the related Mortgage Loan shall not be eligible for Purchase unless the proposed Supplemental Financing is made consistent with this Section. If the Servicer/Administrator discovers, after purchase of a Mortgage Loan that there is debt secured by an interest in the Residence which was not disclosed to the Servicer/Administrator prior to purchase and which does not qualify as Supplemental Financing, the related Mortgage Loan shall be deemed to have a Defect for purposes of Section 4.17 hereof. This subsection does not apply to debt incurred by a Mortgagor after the date of Mortgage Loan Closing and which was not disclosed to the Lender, or discoverable by the Lender.

Section 4.09. Prohibition of Discrimination. No Lender shall arbitrarily reject an application because of the location and/or age of the property, or in the case of a proposed Mortgagor, arbitrarily vary the terms of a loan or the application procedures therefor or reject a Mortgage Loan applicant because of the race, color, religion, national origin, age, sex, or marital status of such applicant. In accepting, evaluating, and acting upon such applications, Lenders shall comply, if applicable, with the Federal Fair Housing Act and with the Federal Equal Credit Opportunity Act and Regulation B promulgated thereunder. All applications for Mortgage Loans and evidence of actions taken with respect thereto shall be retained by Servicer/Administrator until the Mortgage Loan is fully paid or until such Mortgage Loan is no longer included in a Pool subject to a Certificate. Nothing in this Section shall be deemed to prohibit or limit the reservations permitted in or required by Section 4.02.

Section 4.10. Mortgage Loan Submission and Purchase. (a) Lender shall be permitted to originate Mortgage Loans and DPLs which have been registered and to sell such Mortgage Loans to, and receive an advance of funds for the purchase of DPLs from, the Servicer/Administrator prior to the expiration of such registration. The Servicer/Administrator has no obligation to purchase any Mortgage Loan or DPL from a Lender unless such Mortgage Loan, and the DPL, as applicable, is or are registered (and such registration has not expired) and meets the requirements set forth herein. All Mortgage Loans must be current as to payments of principal, interest, taxes and insurance at the time of purchase by the Servicer/Administrator.

Within 24 hours of taking a loan application, the Lender will register the Loan, and any related DPL, with the Servicer/Administrator pursuant to Section 3.02. After the Lender has closed a Mortgage Loan and funded a DPL, the Lender shall within 30 days following the Closing Date, and in any event prior to the expiration of the registration thereof, deliver to the Servicer/Administrator the documents described in the applicable Mortgage File Checklist of the Lender's Manual. The Lender hereby warrants that all permitted copies will be true and accurate copies of the respective original documents and instruments. The Servicer/Administrator shall review such documents and instruments and shall at least five (5) days after the receipt of the related Mortgage File, return to the Lender, for appropriate curative action, any such documents or instrument which is defective in any material respect.

(b) Prior to the delivery of the Mortgage File to the Servicer/Administrator in connection with the purchase of a Mortgage Loan, the Lender shall record or file for recording an Assignment of Mortgage Note and Mortgage for the related Mortgage Loan and the DPL, if any, in all offices necessary to perfect the assignment of the Mortgage, and the DPL Mortgage, if applicable, to the Servicer/Administrator under the laws of the State. Mortgage Loans may be registered via the Mortgage Electronic Registration System (MERS) in lieu of a standard Assignment of Mortgage Note and Mortgage, thus eliminating the need for a paper Assignment of Mortgage Note and Mortgage. All notices to Mortgagors or to insurers under any insurance policies maintained with respect to a Mortgage Loan for the assignment to the Servicer/Administrator of the servicing of such Mortgage Loan and any related DPL shall be given by each Lender prior to purchase by the Servicer/Administrator. Immediately upon Purchase, written notice shall be given by the Lender to the Mortgagor that servicing has been assigned to the Servicer/Administrator and that future payments on the Mortgage Loan shall be made to the Servicer/Administrator. Lender shall also provide to the Servicer/Administrator or the Issuer such other reports or information regarding the Mortgage Loan and any related DPL being sold by such Lender as may be reasonably requested by either of them.

(c) The Lender shall pay all costs of preparing and furnishing the Mortgage File and the Compliance Package to the Servicer/Administrator. The Lender shall service each Mortgage Loan and any related DPL originated by it from the Closing Date to the Purchase Date for such Mortgage Loan and DPL, which servicing shall include processing, posting payments, and paying taxes and insurance with respect thereto. Lenders shall be obligated to pay any fees or penalties associated with late payment of taxes and/or insurance which were due with respect to a Mortgage Loan during the period prior to the Servicer/Administrator's purchase thereof. The Mortgage File shall be reviewed by the Servicer/Administrator prior to Servicer/Administrator's purchase thereof. The Mortgage File may, at the option of a Lender, be reviewed by the Servicer/Administrator pursuant to procedures established by the Servicer/Administrator prior to the Closing Date, provided that approval will not assure the subsequent purchase by the Servicer/Administrator if factual changes occur with respect to the Mortgage File or the Housing Finance Program between the date of the preliminary approval and the Purchase Date. On or immediately after purchase of the Mortgage Loan and any related DPL the Servicer/Administrator shall deliver an advice of purchase to the Lender as evidence of its approval of such Mortgage Loan. Any Mortgage Loan and any related DPL with respect to which the Compliance Package or the Mortgage File is deemed to be defective will be returned to the Lender by the Servicer/Administrator in accordance with

this Section. To be purchased, such defective Mortgage Loan and any related DPL must be resubmitted in accordance with the procedures of this Section; *provided, however*, that the Servicer/Administrator in its discretion may hold such documents pending curative action. Any Mortgage File or Compliance Package held by the Servicer/Administrator for more than thirty (30) days without curative action having been taken by the Lender shall be returned to the Lender. Neither the examination nor the acceptance of a Mortgage File by the Servicer/Administrator or the related Compliance Package by the Servicer/Administrator as compliance agent, shall constitute a waiver of any warranty, representation or covenant by the Lender or the Mortgagor or DPL with respect to the related Mortgage Loan or DPL. Any review or approval by the Servicer/Administrator of any Mortgage Loan or DPL, or the credit or tax compliance information in connection therewith, or the issuance by the compliance agent of a Certificate of Compliance hereunder, shall not relieve Lender of responsibility or liability for the performance or nonperformance of its obligations hereunder.

(d) Notwithstanding the delivery procedures of this Section 4.10, the Servicer/Administrator may, in its discretion, accept a Mortgage File which contains certified copies of the Mortgage, and any DPL Mortgage, the Assignment of Mortgage Note and Mortgage, in lieu of the originals of same, and a valid commitment for the issuance of a Title Policy in lieu of a Title Policy, and may approve such Mortgage Loan and related DPL for Purchase without such originals or Title Policy if the Mortgage File is otherwise complete and the Mortgage Loan and DPL otherwise qualifies or qualify for Purchase under this Agreement. The Purchase is subject in all respects to all terms and conditions of this Agreement. The original recorded Mortgage, DPL Mortgage and original recorded Assignment of Mortgage Note and Mortgage and the Title Policy and FHA Insurance certificate, VA Guaranty certificate or certificate of Private Mortgage Guaranty Insurance, as applicable, must be submitted to the Servicer/Administrator within one hundred and twenty (120) days from the Purchase Date of the Mortgage Loan and DPL, if applicable, or such later date as may be approved by the Servicer/Administrator for good cause. The Servicer/Administrator shall, upon receipt of such originals and certified copies, if applicable, file copies of same with the related Mortgage File.

(e) The Purchase Date for a Mortgage Loan and the related DPL shall occur not later than the earlier of (i) thirty (30) days after the Closing of such Mortgage Loan, or (ii) the date on which the registration of such Mortgage Loan expires. Only Mortgage Loans and DPLs submitted in accordance with this Section and which conform to the requirements of this Agreement shall be purchased by the Servicer/Administrator on any Purchase Date. All amounts collected by the Lender representing escrow payments for insurance and taxes with respect to a Mortgage Loan shall be held in escrow and remitted to the Servicer/Administrator not later than the Purchase Date or as directed by the Servicer/Administrator. All notices to Freddie Mac, Fannie Mae, FHA, VA or the PMI Insurer which are required to be given under applicable Freddie Mac, Fannie Mae, FHA, VA or PMI Insurer requirements, shall be given by the Lender prior to Purchase. To enable the Lender to comply with the rules and regulations of "RESPA," the Servicer/Administrator may deduct from the Purchase Price paid to the Lender for the Mortgage Loan the Mortgage Loan payment which shall be due the first day of the month immediately following the date of purchase. If a Lender shall receive any payment for which a deduction was not made from the Purchase Price of the Mortgage Loan, the Lender shall promptly forward such payment (properly endorsed to the Servicer/Administrator, if the payment was payable to such Lender) to the Servicer/Administrator. The Lender shall also notify the Mortgagor in writing within ten (10) days after Purchase (with a copy to the Servicer/Administrator) that checks, money orders or other remittances in payment of the Mortgage Loan must be paid to the order of the Servicer/Administrator following Purchase of the Mortgage Loan.

(f) The Servicer/Administrator shall have no obligation to purchase any Mortgage Loan or DPL unless it conforms to all requirements of this Agreement.

(g) The Servicer/Administrator shall not be obligated to purchase any Mortgage Loan or a related DPL unless (1) the Mortgage File with respect to such Mortgage Loan and DPL has been received by the Servicer/Administrator for review not later than the date set forth in Section 4.10(a) hereof, unless a later date is approved by the Servicer/Administrator, (2) funds are expected to be available from the Certificate Purchaser to pay the applicable Certificate Purchase Price, and (3) all of the other conditions set forth in this Section and Section 4.10(a) and (b) have been satisfied.

(h) The delivery to the Servicer/Administrator of the original executed Mortgage, Mortgage Note, the related Assignment of Mortgage Note and Mortgage shall be made by Lender to the Servicer/Administrator in the following manner: (i) the Mortgage Note shall bear the endorsement set forth on the back thereof Payable, without recourse, to the order of "U.S. Bank National Association" or its successor as Servicer/Administrator and be executed by a duly authorized officer of the Lender, (ii) the related Mortgage, together with the Assignment of Mortgage Note and Mortgage, or a true and correct copy of such executed Mortgage and Assignment of Mortgage Note and Mortgage, and assurance that the originals thereof have been delivered for recording in the office of the Dakota County Recorder, as applicable, sufficient to constitute the Servicer/Administrator's ownership of the Mortgage and Mortgage Note. The Lender shall further perform any other action or deed as the Servicer/Administrator may reasonably direct to cause the proper filing or recording of the Assignment of Mortgage Note and Mortgage in such other places and in such other manner, form or condition reasonably satisfactory to perfect the Servicer/Administrator's interest in each such Mortgage Note and related Mortgage.

The Lender shall also deliver the original executed DPL Mortgage in favor of the Issuer and DPL Note, made payable to the Issuer, with assurance that the original DPL Mortgage has been delivered for recording in the office of the Dakota County Recorder, as applicable, sufficient to constitute the Issuer's ownership of the DPL Mortgage and DPL Note.

(i) Upon request of the Servicer/Administrator, the Lender shall submit to the Servicer/Administrator the Mortgagor's and Seller's Certifications in updated form in connection with the purchase of the Mortgage Loan.

(j) All Mortgagor payments representing escrow deposits for prepayment of taxes or insurance collected by the Lender with respect to a Mortgage Loan prior to the Purchase of such Mortgage Loan shall be held by the Lender in escrow until the Purchase. On or prior to the Purchase Date, such amounts shall be forwarded by the Lender to the Servicer/Administrator as if such amount had been received subsequent to the Purchase. The Servicer/Administrator may Purchase the Mortgage Loan net of the escrow deposits if the Servicer/Administrator maintains documentation reflecting the amount of the escrow deposits which, upon such discounted Purchase, shall be held and accounted for by the Servicer/Administrator.

(k) The Servicer/Administrator shall retain copies of all originals of all other documents comprising a Mortgage File in accordance with all GNMA, Freddie Mac and Fannie Mae requirements, as applicable.

Section 4.11. GNMA Certificate Submission and Purchase. (a) After Purchase, the Servicer/Administrator shall pool the FHA Mortgage Loans or VA Mortgage Loans in accordance with the GNMA Guide in order to issue a GNMA Certificate (or effect book entry registration thereof as permitted by the Indenture) relating to such Mortgage Loans such that each Mortgage Loan is pooled within thirty (30) days following the date of purchase by the Servicer/Administrator from a Lender. Each Pool shall consist entirely of Mortgage Loans bearing the same interest rate. Upon approval of such documentation by GNMA or its designated agent and execution of such GNMA Certificate by GNMA, the Servicer/Administrator shall use its best efforts to sell the GNMA Certificate for such Mortgage

Loans to the Trustee. GNMA Certificates shall be based on and backed by Pools in a minimum outstanding principal amount of \$25,000 or such lesser amount as may be permitted or approved by GNMA. The Servicer/Administrator will give at least five (5) Business Days notice to the Certificate Purchaser, and to the Trustee if the Trustee is not then the Certificate Purchaser, before each proposed delivery date of a GNMA Certificate of the aggregate principal of and accrued interest on the GNMA Certificate to be acquired, including the principal amount backed by FHA Mortgage Loans or VA Mortgage Loans, and will issue a related certificate substantially in the form of **Exhibit F** to the Trustee to the effect that each Mortgage Loan purchased by the Servicer/Administrator complies with the Mortgage Loan eligibility requirements set forth herein and that all prerequisites to the issuance (or book entry) of the GNMA Certificates have been satisfied. The Trustee, upon receipt of such certificate and satisfaction of the conditions specified in Section 5.04(B) of the Indenture will, on each date on which it acquires a Certificate or Certificates, pay to the Servicer/Administrator or to the order of the Servicer/Administrator, the Certificate Purchase Price for the GNMA Certificate (or book entry thereof). GNMA's Custodian will retain (i) the original Mortgage Note, (ii) an assignment of the Mortgage Note and Mortgage in recordable form, (iii) the original recorded Mortgage, and (iv) the FHA Insurance certificate. All other documents will be retained by the Servicer/Administrator.

(b) Notwithstanding anything to the contrary herein, neither the Issuer nor the Trustee shall be under any obligation to purchase a Certificate if funds are not available in the applicable Acquisition Account of the Program Fund to pay the Certificate Purchase Price.

Section 4.12. Sale of Fannie Mae Mortgage Backed Securities (MBS) and Freddie Mac Participation Certificates (PCs). Conventional Loans may not be originated hereunder, and Fannie Mae MBSs and Freddie Mac PCs may not be sold to the Certificate Purchaser hereunder, unless and until the Issuer provides a Supplemental Notice to the contrary. It is hereby recognized and acknowledged that the procedures set forth in this section are applicable to the sale of Fannie Mae MBSs and Freddie Mac PCs by the Servicer/Administrator as of the date of this Agreement, and the parties hereto further recognize and acknowledge that the procedures, guidelines and policies of Fannie Mae or Freddie Mac may be amended or modified in the future to such an extent that it may become impractical or impossible for the Servicer/Administrator to perform pursuant to this Agreement, in which event Servicer/Administrator shall not be held responsible for such failure to perform.

(a) Subject to the terms and conditions hereof, the Lender shall use its best efforts during the Origination Period to originate Conventional Mortgage Loans in accordance with the terms of this Agreement and the Fannie Mae Guides or the Freddie Mac Guide, and the Servicer/Administrator shall pay all fees required by (i) Fannie Mae in connection with the issuance of a Fannie Mae MBS, except fees payable to Fannie Mae for the restructuring of the Fannie Mae MBSs in connection with the defeasance of the Bonds and (ii) Freddie Mac in connection with the issuance of Freddie Mac PC, except fees payable to Freddie Mac for the restructuring of a Freddie Mac PC in connection with the defeasance of the Bonds.

(b) It is recognized and agreed that in accordance with the Fannie Mae Guides, the Servicer/Administrator in its best judgment shall cause Fannie Mae to issue a Fannie Mae MBS which shall be comprised of a Pool in a minimum outstanding principal amount of \$250,000 of Conventional Mortgage Loans, or such lesser amount as may be permitted or approved by Fannie Mae, and shall be issued in accordance with Section 4.12(g).

(c) It is recognized and agreed that in accordance with the Freddie Mac Guide, the Servicer/Administrator in its best judgment shall cause Freddie Mac to issue a Freddie Mac PC which shall be comprised of a Pool in a minimum outstanding principal amount of \$250,000 of

Conventional Mortgage Loans, or such lesser amount as may be permitted or approved by Freddie Mac, and shall be issued in accordance with Section 4.12(g).

(d) The Servicer/Administrator shall aggregate the Conventional Mortgage Loans originated by the Lenders in order to cause a Fannie Mae MBS and/or a Freddie Mac PC to be issued at such time as to provide that each Mortgage Loan will be pooled within thirty (30) days following the date of purchase by the Servicer/Administrator from a Lender. The Servicer/Administrator may “warehouse” any portion of such Mortgage Loans until the issuance of the related Fannie Mae MBS or Freddie Mac PC.

(e) [Reserved].

(f) The Servicer/Administrator will ensure that the Housing Finance Program shall have at least equal priority with respect to the other activities of the Servicer/Administrator to any unfunded Fannie Mae MBSs or Freddie Mac PCs available to the Servicer/Administrator or to the issuance of any other Fannie Mae MBS or Freddie Mac PC not specifically pledged to an identifiable lending activity.

(g) (i) Pursuant to the current standards and policies of Fannie Mae as set forth in the Fannie Mae Guides, the Servicer/Administrator may provide for the issuance of Fannie Mae MBSs by purchasing Conventional Mortgage Loans to be delivered to Fannie Mae to constitute Pools in a minimum original outstanding principal amount of \$250,000 or such lesser amount as may be permitted or approved by Fannie Mae. The total principal amount of any issue of Fannie Mae MBSs shall equal the aggregate unpaid principal balances of Conventional Mortgage Loans in the Pool. Each Pool shall consist entirely of Mortgage Loans bearing the same interest rate.

(ii) Pursuant to the current standards and policies of Freddie Mac as set forth in the Freddie Mac Guide, the Servicer/Administrator may provide for the issuance of Freddie Mac PCs by purchasing Conventional Mortgage Loans to be delivered to Freddie Mac to constitute Pools in a minimum original outstanding principal amount of \$250,000 or such lesser amount as may be permitted or approved by Freddie Mac. The total principal amount of any issue of Freddie Mac PCs shall equal the aggregate unpaid principal balances of Conventional Mortgage Loans in the Pool. Each Pool shall consist entirely of Mortgage Loans bearing the same interest rate.

(h) The Servicer/Administrator agrees to notify the Certificate Purchaser, and the Trustee, if the Trustee is not then the Certificate Purchaser, at least five (5) Business Days before each proposed delivery to the Trustee of a Fannie Mae MBS or a Freddie Mac PC, of the aggregate principal amount of the Fannie Mae MBS or Freddie Mac PC to be acquired, and will issue a related certificate substantially in the form of **Exhibit F** to the Trustee and the Certificate Purchaser to the effect that each Mortgage Loan backing such Fannie Mae MBS or Freddie Mac PC complies with the Mortgage Loan eligibility requirements set forth herein and that all prerequisites to the issuance of the Fannie Mae MBS or Freddie Mac PC, as applicable, have been satisfied. The Trustee, upon receipt of such Certificate and satisfaction of the conditions in Section 5.04(B) of the Indenture will, on the date of acquisition of each Certificate, pay to the Servicer/Administrator or to the order of the Servicer/Administrator the Certificate Purchase Price for the Fannie Mae MBS (or book entry thereof) or for the Freddie Mac PC (or book entry thereof), as applicable.

(i) In the event such Fannie Mae MBSs subsequently should no longer be pledged to back the Bonds, such Fannie Mae MBSs shall not be transferred except as provided in the Pool Purchase Contract and as provided for in the Indenture. The prior sentence shall not be amended without the consent of Fannie Mae. The Issuer and the Trustee hereby acknowledge that no Fannie Mae Prospectus Supplement will be prepared or available as to the Fannie Mae MBSs.

(j) Notwithstanding anything to the contrary herein, neither the Issuer nor the Trustee shall be under any obligation to purchase any Certificates if the Bonds are not delivered.

Section 4.13. Purchase of Mortgage Loans from Lenders by Servicer/Administrator.

(a) For each Mortgage Loan which is in compliance with all the terms and conditions of this Agreement and the Mortgage File has been delivered to the Servicer/Administrator, in the form and manner required by Section 4.10 hereof, which Mortgage Loan is registered (and such registration has not expired), and for which the Servicer/Administrator certifies that all of the other conditions hereof have been fulfilled, the Servicer/Administrator shall pay to the Lender, under the terms and conditions specified herein, on each Purchase Date for each Mortgage Loan the Purchase Price.

(b) The Lender acknowledges that, as a condition of the purchase of the Mortgage Loan by the Servicer/Administrator, the Mortgage Loan shall (i) be current in payments of principal and interest, taxes and insurance, (ii) bear interest at the applicable Mortgage Loan Rate, and (iii) be in compliance with the applicable requirements of FHA, VA, the PMI Insurer, the GNMA Guide, the Freddie Mac Guide, the Fannie Mae Guides, the Lender's Manual and this Agreement. The Servicer/Administrator may terminate its obligation to Purchase Mortgage Loans from a Lender if the Lender is not performing its obligations and duties under this Agreement, in its regular course of business with the Servicer/Administrator, the Lender's Manual, the GNMA Guide, the Freddie Mac Guide or the Fannie Mae Guides.

Section 4.14. Funding of DPLs. The provisions applicable to the review and purchase of DPLs by the Servicer/Administrator shall follow, in all respects, the provisions applicable to Mortgage Loans (including determining that all documentation and delivery requirements for DPLs have been met), except as provided in this Section. The Servicer will advance funds for the purchase by the Issuer of the DPLs from the Lender, at the outstanding principal amount thereof, simultaneously with the Servicer/Administrator's purchase of the related Mortgage Loan. The Servicer/Administrator shall require that Lenders submit DPL Documents to the Servicer/Administrator simultaneously with the submission of documents for the related Mortgage Loan. With respect to each Pool purchased by the Certificate Purchaser, the Servicer/Administrator shall submit to the Issuer and the Trustee a report identifying the DPLs that are subordinate to Mortgage Loans contained in the Pool, including, for each DPL, the loan number, mortgagor name, purchase date, Lender, loan amount and the amount advanced by the Servicer. Within five Business Days following receipt of the report or the purchase of the Certificate backed by the Pool, whichever is later, the Issuer will remit, or direct the Trustee to remit, promptly to the Servicer/Administrator in immediately available funds the amount advanced by the Servicer/Administrator for each DPL. The Servicer/Administrator agrees that it will be reimbursed only for the amount of the advance it makes to purchase a DPL for the Issuer, and acknowledges that no interest will be payable by the CDA on the amount advanced.

Section 4.15. Maintenance of Mortgage File. The Servicer/Administrator, upon assignment of the servicing of a Mortgage Loan pursuant to Article V, shall maintain a Mortgage File with respect to each Mortgage Loan purchased hereunder for a minimum of three years following the date the Bonds are paid in full. Such files shall be kept at the Servicer/Administrator's regular place of business and shall be available for inspection at reasonable times and in a reasonable manner by the Trustee, GNMA, Freddie Mac, Fannie Mae and the Issuer and their respective agents. Thereafter, the Servicer/Administrator shall

retain copies of such instruments or documents contained in the Mortgage File as it shall deem necessary or desirable.

Section 4.16. Limited Liability. All monetary obligations of the Issuer incurred hereunder, and any remedies arising against the Issuer by reason of its default under this Agreement in any respect, shall be payable solely out of, and all liability of the Issuer shall be limited to, revenues and receipts derived from the transactions contemplated and performed pursuant to the Housing Finance Program Documents. The Bonds shall not constitute general or moral obligations of the Issuer, and under no circumstances shall the Bonds be payable from, nor shall the owners thereof have any rightful claim to, any income, revenues, funds or assets of the Issuer, other than those pledged under the Indenture as security for the payment of the Bonds, as more fully set forth in the Indenture.

Section 4.17 Repurchase Obligation; Indemnification; Refund of Service Release Premium.

(a) *Repurchase Obligation.* The Lender hereby agrees to repurchase any Mortgage Loan sold to the Servicer/Administrator at any time during the life of such Mortgage Loan, upon the occurrence of any of the following events:

(i) Servicer/Administrator has evidence of any violations of any rule, regulation, or requirement of the applicable agencies i.e. FHA, VA, RHS, Freddie Mac, Fannie Mae, GNMA or any other investor as may be identified in the Issuer's Housing Finance Program, or specific guidelines as outlined in the Housing Finance Program Documents/program manuals; or

(ii) Any false statement, misstatement, or act of omission of material fact contained in the Mortgage Loan documentation resulting from the Lender's negligence or failure to exercise due diligence as disclosed by actual inspection by the Servicer/Administrator or its representative, or otherwise disclosed; or

(iii) Lender fails to obtain FHA insurance, VA or RHS guaranty, private mortgage insurance, or if such insurance or guaranty lapses or for any reason becomes unavailable, as a result of any negligent act or omission by the Lender, or the failure by the Lender to obtain such insurance or guaranty within ninety (90) days from the date of purchase; or

(iv) The Servicer/Administrator is required to repurchase any Mortgage Loan sold by it to GNMA, Fannie Mae, Freddie Mac or any other investor, by reason of a deficiency in or omission with respect to the Mortgage Loan documents, instruments, and agreements, pertaining to any Mortgage Loan; or

(v) Should the Servicer/Administrator have evidence of any representation or warranty made by the Lender under this Agreement or Housing Finance Program Documents with respect to any Mortgage Loan be, in whole or in part and with or without knowledge of the Lender, false at the time when made by Lender or become false upon the occurrence of subsequent events; or

(vi) Any material fraud, misrepresentation or act of omission with respect to the information submitted on a particular Mortgage Loan is determined to exist by the Servicer/Administrator or another investor. This includes, but is not limited to, Mortgagor or

other third party fraud or misrepresentation, and any misrepresentation of Mortgagor's income, funds on deposit, or employment, or of the occupancy status of the Mortgaged Property; or

(vii) Lender's breach of any covenant or obligation to the Servicer/Administrator with respect to the Mortgage Loan under this Agreement, Bond Documents or Bond Program Documents.

The repurchase price for any Mortgage Loan that the Lender is required to repurchase from the Servicer/Administrator shall be an amount equal to the then unpaid principal balance of the Mortgage Loan on the date of repurchase, plus accrued interest, any service release premium paid by Servicer/Administrator with respect to the Mortgage Loan, and direct expenses (including attorney's fees) incurred by the Servicer/Administrator for any actions taken by it concerning, as a result of, or in connection with, any of the events or circumstances set forth herein as cause for repurchase. Servicer/Administrator's exercise of its right to have the Lender repurchase any Mortgage Loan hereunder shall be in addition to, and not in lieu of, any other rights or remedies which Servicer/Administrator may have against the Lender hereunder or under applicable law.

(b) *Indemnification.* The Lender shall protect, indemnify, and hold the Servicer/Administrator and the Issuer harmless from and in respect to, any and all losses, liabilities, reasonable costs, and expenses (including attorneys' fees) that may be incurred by Issuer or the Servicer/Administrator with respect to, or proximately resulting from any breach of, any representation, warranty, or covenant of the Lender hereunder. The Servicer/Administrator and the Issuer shall be entitled to rely upon the Lender as assembler and preparer of all Mortgage Loan documents, and shall be under no duty whatsoever to investigate or confirm any of the information set forth therein as to its honesty, accuracy, or completeness. Lender hereby agrees to indemnify and hold the Servicer/Administrator and Issuer harmless from any claim, loss or other damage to the Servicer/Administrator or Issuer, respectively, including reasonable attorneys fees resulting in whole or in part from any inaccuracy or incompleteness in the Mortgage Loan documents or any act or omission by the Lender, its agents and employees, including but not limited to failure to comply with applicable state, federal and local statutes or regulations. To the extent the Lender, its agents or employees, commits an actual wrong, or makes some error or omission in the preparation of any Mortgage Loan or its documents and as a result thereof, and based thereon, the Servicer/Administrator commits an act or omission for which it becomes liable to the Mortgage(s) or any third party and/or a claim or cause of action is instituted against the Servicer/Administrator, the Lender shall and hereby agrees to indemnify and hold Servicer/Administrator and the Issuer harmless from any such loss or damage, including reasonable attorneys fees, resulting therefrom.

(c) *Refund of Service Release Premium.* If any Mortgage Loan is prepaid in full within three (3) months following the date of purchase by the Servicer/Administrator, from the Lender, the Lender shall refund to the Servicer/Administrator all service release premiums received from the Servicer/Administrator with respect to that Mortgage Loan.

If any Mortgage Loan, underwritten by the Lender, becomes delinquent for any of the first three (3) scheduled monthly payments due the Servicer/Administrator, and is not brought current by the borrower within 90 days of delinquency, the Lender shall refund to the Servicer/Administrator all premium

received from the Servicer/Administrator with respect to that Mortgage Loan plus an additional fee of \$1,000 on Conventional loans and \$3,000 on Government loans (FHA, VA and RD).

(d) Notwithstanding anything set forth above in this Section, in the event the Servicer/Administrator, the Trustee, the Issuer, or the Lender becomes aware subsequent to purchase by the Trustee of a Certificate, with respect to any Mortgage Loan backing a Certificate, that such Mortgage Loan, as of the date of execution of the Mortgage, did not satisfy the requirements of Section 143 of the Code and such Mortgage Loan has not been repurchased, the Servicer/Administrator shall provide written notice by certified mail, return receipt requested, to the Mortgagor declaring the entire unpaid balance of the Mortgage Loan due and payable within twenty (20) days of said notice, and the Servicer/Administrator shall then pursue foreclosure and all other available remedies.

Section 4.18. Extension of Origination Period. The Issuer, in accordance with the terms and conditions of the Indenture and with the consent of the Trustee, may extend the Origination Period to the extent permitted by the Indenture and applicable Law. The Issuer shall provide written notice to the Trustee and the Servicer/Administrator of any such extension.

ARTICLE V

ASSIGNMENT OF SERVICING

Section 5.01. Lender to Assign Servicing. Each Lender hereby agrees to assign to the Servicer/Administrator the right to service each Mortgage Loan originated by such Lender at the time of Purchase by the Servicer/Administrator. The Servicer/Administrator hereby agrees to assume the servicing obligations of this Agreement with respect to the assigned Mortgage Loans; *provided, however*, that the obligations of the Lenders set forth in Section 4.17 shall survive such assignment as obligations of such Lender.

Section 5.02. Lender Requirements. On each Purchase Date, the Lender shall assign the Mortgage Loans it originates hereunder and the servicing in connection therewith to the Servicer/Administrator, which Mortgage Loans shall be included in the Pools backing GNMA Certificates to be issued by the Servicer/Administrator, Freddie Mac PCs to be issued by Freddie Mac or Fannie Mae MBSs to be issued by Fannie Mae. Such assignments shall be made within sixty (60) days of the date of origination of a Mortgage Loan and the assigning Lender shall provide to the Servicer/Administrator such warranties with respect to the Mortgage Loans being assigned as the Servicer/Administrator shall reasonably request. The Servicer/Administrator shall not accept any such assignments after the Origination Period. The Servicer/Administrator will net amounts held in an escrow account maintained by Lender with respect to the Mortgage Loan, if any, from the Purchase Price. If the provisions of this Section 5.02 have not been satisfied within ten (10) Business Days of the Purchase Date of the Mortgage Loan, then such Mortgage Loan may be declared a defective Mortgage Loan pursuant to Section 4.17.

ARTICLE VI

DUTIES OF THE SERVICER/ADMINISTRATOR

Section 6.01. General. The Servicer/Administrator shall have general responsibility for supervising the Housing Finance Program with respect to the Mortgage Loans it services, for and on behalf of the Issuer, in accordance with the Housing Finance Program Documents. The

Servicer/Administrator shall have full power and authority, acting alone, to do and perform any and all things that it may deem necessary or desirable to carry out its duties and responsibilities hereunder, unless contrary to the express provisions of this Agreement. Without limiting the generality of the foregoing, the Servicer/Administrator shall be and is hereby irrevocably authorized and empowered by the Issuer to execute and deliver for and on behalf of the Issuer, with respect to the Mortgage Loans it services, any and all instruments, documents, and writings necessary or desirable to fulfill its duties and responsibilities hereunder as the Servicer/Administrator of the Housing Finance Program, to deliver the properties encumbered by the Mortgages, and to perform any acts to be performed by the Servicer/Administrator under this Agreement.

Section 6.02. Standards of Administration. The Servicer/Administrator agrees to administer the Housing Finance Program and make all reports required hereunder, all in accordance with the Housing Finance Program Documents.

Section 6.03. Servicer/Administrator to Review Mortgage Loans. The Servicer/Administrator hereby agrees to review the file pertaining to each Mortgage Loan submitted by each Lender for Purchase to determine whether such Mortgage Loan is in compliance with the requirements of Section 143 of the Code and this Agreement and that the Lender has complied with the verification requirements set forth in Section 4.04(d). In addition, the Servicer/Administrator shall monitor the Housing Finance Program to ensure that there are no violations of the requirements stated in Section 4.02 regarding certain reservations, the requirements stated in Section 4.04(h) regarding two family Residences and the requirements of this Agreement with respect to the Mortgage Loans have been met.

Section 6.04. Servicer/Administrator to Act as Servicer/Administrator. The Servicer/Administrator shall service the Mortgage Loans. The Servicer/Administrator shall have full power and authority, acting alone, to do and perform any and all things that it may deem necessary or desirable to carry out its servicing responsibilities hereunder, unless contrary to the express provisions of this Agreement. Without limiting the generality of the foregoing, the Servicer/Administrator shall be and is hereby irrevocably authorized and empowered by the Issuer to execute and deliver for and on behalf of the Issuer, with respect to the Mortgage Loans, any and all instruments, documents, and writings necessary or desirable to carry out its servicing responsibilities hereunder, and to perform any acts to be performed by the Servicer/Administrator under this Agreement, and to file all claims and initiate all proceedings, by foreclosure or otherwise, necessary or appropriate to realize upon the insurance policies and property securing any Mortgage Loans in default or in satisfaction or cancellation, or in partial or full release or discharge of such Mortgage Loans.

Section 6.05. Standards of Servicing. The Servicer/Administrator agrees to service, as required hereunder, the Mortgage Loans in accordance with the provisions of this Agreement and with the loan servicing requirements of GNMA, FHA, VA, Freddie Mac, Fannie Mae and a PMI Insurer, as applicable, relating to mortgage loans serviced under programs regulated by it and in accordance with the Housing Finance Program requirements and in accordance with all applicable laws, regulations and rulings. The Servicer/Administrator will provide prompt payment of principal and interest to the Certificate Purchaser, Trustee (if the Trustee is not then the Certificate Purchaser) or J.P. Morgan Chase & Co. (as central paying agent and transfer agent for GNMA) as required under the GNMA Guide, to Freddie Mac as required under the Freddie Mac Guide and to Fannie Mae as required under the Fannie Mae Guides, as applicable, which are incorporated by reference as though set forth herein, as each may be in effect during the term of the Housing Finance Program. The Issuer and the Servicer/Administrator, during the term of the Housing Finance Program, may issue amendments, supplements, interpretations, or relevant instructions relating to the servicing of Mortgage Loans under this Agreement for the purposes of clarifying or improving the procedures to be followed in servicing Mortgage Loans under the Housing Finance Program. The parties hereto recognize and acknowledge that the Servicer/Administrator is responsible for following the procedures, guidelines and policies of GNMA, VA, FHA and RHD, as they may be amended or modified in the future. To the extent that It becomes impossible for the Servicer/Administrator to service in accordance with this Agreement and such procedures and guidelines, the Servicer/Administrator will be held harmless for the failure to comply with specific provisions of this Agreement which are contrary to such procedures, guidelines and policies.

The Servicer/Administrator shall perform all of its duties in servicing the Mortgage Loans with due care, diligence, and reasonable promptness.

Section 6.06. Release of Property from the Lien of a Mortgage. The Servicer/Administrator may with respect to FHA Mortgage Loans or VA Mortgage Loans with the prior written consent of FHA or VA, as applicable, or in accordance with the GNMA Guide, or with respect to Conventional Mortgage Loans, with the prior written consent of Freddie Mac or Fannie Mae, or in accordance with the Freddie Mac and Fannie Mae Guides, amend the terms or conditions of any Mortgage Loan, release or direct the release of property from the lien of a Mortgage or consent to the grant of, easements or rights of way upon property securing a Mortgage Loan, with appropriate recordation among the records of the local governmental officials; *provided*, that the Servicer/Administrator shall not make any amendment of the terms and conditions of any Mortgage Loan that would result in such Mortgage Loan having a Defect for purposes of Section 4.17.

Section 6.07. Liability of the Servicer/Administrator for Expenses. The Servicer/Administrator shall be required to pay all expenses incurred by it in connection with its servicing activities hereunder (including the cost of the insurance policies and bonds required by Section 6.14) and shall not be entitled to reimbursement therefor, except as authorized under any of the Housing Finance Program Documents. The Servicer/Administrator also agrees to pay all reasonable costs and expenses actually incurred by the Trustee and the Issuer in connection with replacing the Servicer/Administrator in the event of default of the Servicer/Administrator under the terms and provisions of this Agreement.

Section 6.08. Claims Against Insurers. In connection with its activities as servicer of the Mortgage Loans, the Servicer/Administrator shall comply with any requirements imposed by any issuer of any insurance or bonds required to be maintained under this Agreement, and with all relevant Laws, and shall present, on behalf of the parties in interest, claims against all such insurers of Mortgage Loans or mortgaged premises, and in this regard, shall take all such reasonable action as shall be necessary to permit recovery under all such insurance policies.

Section 6.09. Servicer/Administrator to Satisfy FHA, VA, PMI Insurer, Freddie Mac, Fannie Mae and GNMA Requirements. The Servicer/Administrator shall be responsible for causing all applicable requirements to be satisfied with respect to the Mortgage Loans so that the full benefits of FHA Insurance, VA guaranty or Private Mortgage Guaranty Insurance will inure to the Servicer/Administrator, and the GNMA guaranty, Freddie Mac guaranty or Fannie Mae guaranty will inure to the benefit of the Trustee on behalf of the Issuer. The Servicer/Administrator shall use its best efforts to obtain the compliance by the Mortgagor or any assumptor permitted by Section 6.11 with all applicable provisions and requirements of GNMA and FHA, VA, Freddie Mac or Fannie Mae, each as applicable, in order to maintain such GNMA guaranty and FHA Insurance, VA Guaranty, or the Private Mortgage Guaranty Insurance and the Freddie Mac guaranty or Fannie Mae guaranty, as applicable in full force and effect. All premiums advanced by the Servicer/Administrator in maintaining such FHA Insurance, VA Guaranty or Private Mortgage Guaranty Insurance, as applicable, shall be added to the amount owing under the Mortgage Loan or the escrow provisions of the Mortgage Loan where the terms of the Mortgage Loan so permit.

Section 6.10. Assumption Agreements. A Mortgagor may transfer his or her Residence to any person purchasing the Residence and assuming the Mortgage Loan in accordance with applicable Laws and upon notice to the Servicer/Administrator; *provided however*, that the Servicer/Administrator shall not permit any such assumption nor shall it release any Mortgagor in connection with such an assumption unless: (a) an Assumption and Release Agreement is entered into by the assumptor which provides for the assumption by such assumptor of the indebtedness evidenced by the Mortgage Note, in the form attached hereto as **Exhibit H** or **Exhibit I**, as applicable; (b) the Mortgage Loan continues to be insured or guaranteed under any applicable insurance or guaranty policies required by FHA, VA, RHS, Freddie Mac or Fannie Mae; (c) the Servicer/Administrator shall have determined on the basis of affidavits of the Mortgagor and the assumptor (in substantially the forms of the Affidavit of Seller/Builder and Affidavit of Mortgagor, with appropriate modifications) and such other evidence and investigation as the Servicer/Administrator may deem necessary and appropriate, (i) that the assumptor intends to occupy the Residence as his or her Principal Residence within a reasonable time (not to exceed sixty (60) days) after the date of such assumption, (ii) that the assumptor did not have a Present Ownership Interest in a Principal Residence at any time during the three-year period ending on the date of such assumption, (iii) that the Acquisition Cost to the assumptor of such Residence does not exceed the then applicable Maximum Acquisition Cost for an Existing Residence, and (iv) that, on the date of assumption, the assuming Mortgagor qualifies as an Eligible Borrower under the terms hereof as of the effective date of the Assumption and Release Agreement; (d) FHA, VA, RHS, or PMI Insurer has given its approval, as applicable; (e) the Mortgage Loan continues to comply with the requirements of the GNMA Guide, Freddie Mac Guide or Fannie Mae Guides, as applicable; and (f) the assumptor has been provided with the Assumption Agreement in the form attached hereto as **Exhibit H** or **Exhibit I**, as applicable, as such Exhibit may be modified in order to treat the assumption date as the Closing Date for such assumption.

In connection with any proposed assumption, the Servicer/Administrator shall determine the qualifications of the assumptor and, if such person is found to be qualified to assume the Mortgage Loan under the provisions of this Agreement, shall prepare an Assumption and Release Agreement and shall obtain the requisite signatures on same. The Servicer/Administrator may collect from the assumptor, in connection with the preparation of the assumption agreement and the release of a Mortgagor pursuant to this Section 6.10, an assumption fee in such amount as may be permitted by Law, and only to the extent such fee does not exceed the reasonable and customary amount charged in connection with the assumption of mortgage loans not funded with the proceeds of tax-exempt obligations. The interest rate on the Mortgage Note shall not be changed in connection with any assumption. The Servicer/Administrator shall confirm at the time of an assumption in connection with which the Mortgagor is being released pursuant to this Section 6.10 that the release of the Mortgagor and the assumption agreement prepared in connection therewith meet the terms of this Section 6.10.

The Servicer/Administrator shall not permit the assumption of any Mortgage Loan except in accordance with this Section 6.10.

Section 6.11. Reports. (a) The Servicer/Administrator agrees, during the Origination Period, to prepare and submit to the Issuer the following reports:

(i) on a weekly basis, reservation/loan purchase status reports;

(ii) the monthly report (GNMA Form 11710A) prepared and submitted to GNMA by the Servicer/Administrator that contains, among other information, information pertaining to the default rate and delinquency statistics with respect to the Mortgage Loans underlying the GNMA Certificates, the applicable Freddie Mac form with respect to the Mortgage Loans underlying the Freddie Mac PCs and the Fannie Mae Form "Advice with Respect to Payment and Securities" indicating summary information with respect to the current month's account transactions with respect to the Mortgage Loans underlying the Fannie Mae MBSs, with a copy to the Trustee;

(iii) on a quarterly basis, detailed demographic information;

(iv) on or before 120 days after the end of the Servicer/Administrator's fiscal year, at the Servicer/Administrator's expense, (A) an opinion by a firm of independent certified accountants on the financial position of the Servicer/Administrator at the end of its fiscal year, and the results of operations and changes in financial position for such year then ended on the basis of an examination conducted in accordance with generally accepted auditing standards, and (B) a statement from an independent certified public accountant concerning compliance with servicing standards on the basis of an examination conducted substantially in compliance with the audit program for mortgages serviced for Fannie Mae, the Freddie Mac, the United States Department of Housing and Urban Development Mortgagee Audit Standards, or the Uniform Single Audit Program for Mortgage Bankers, except for (1) such exceptions as such firm shall believe to be immaterial, and (2) such other exceptions as shall be set forth in such statement;

(v) within 120 days following each anniversary of the date of this Agreement, a certificate of an authorized officer of the Servicer/Administrator stating that (1) a review of the activities of the Servicer/Administrator during the preceding year with respect to performance under this Agreement has been made under such officer's supervision, and (2) to the best of such officer's knowledge, based upon such review, there is, as of such date, no default by the Servicer/Administrator in the fulfillment of any of its obligations under this Agreement, or, if there is any such default known to such officer, specifying each such default and the nature and status thereof; and

(vi) such other reports relating to the Housing Finance Program as the Issuer or the Trustee may reasonably request.

(b) Throughout the term of this Agreement, the Servicer/Administrator shall simultaneously submit to the Trustee copies of all reports required by the Freddie Mac Guide to be submitted to Freddie Mac and the Fannie Mae Guides to be submitted to Fannie Mae.

(c) The Servicer/Administrator agrees to prepare and submit to the Issuer by December 1 of each year during the Origination Period, a report detailing each Newly Constructed Residence financed with a Mortgage Loan. On the basis of such report, the Issuer will provide the report to the chairs of the appropriate housing-related standing committees or divisions of the state senate and house of representatives required pursuant to Minnesota Statutes, Section 462C.07, Subd. 6.

Section 6.12. Reports to the Internal Revenue Service. (a) The Servicer/Administrator agrees to submit, on behalf of the Issuer, to the Internal Revenue Service Center, Philadelphia, Pennsylvania (or such other location as is specified by the Internal Revenue Service) (with copies to the Issuer), not later than August 15 (commencing on the first August 15th following the delivery of this Agreement) of each year following a fiscal year ending June 30 in which the original proceeds of the Bonds are used to purchase Certificates backed by Mortgage Loans, the report entitled "Qualified Mortgage Bond Information Report" required by section 149(e) of the Code and Treasury Regulation sections 1.103A-3(k)(2)(ii) and 1.103A-3(k)(3) through (k)(6), in such form as may be permitted by the Internal Revenue Service.

(b) In the event that Treasury Regulation section 1.103A-3(k) or Temporary Treasury Regulation section 1.149(e)-1 is amended following the date hereof, such amendments shall be deemed to be incorporated into this Section 6.12, and the requirements of this Section 6.12 shall be deemed to be revised accordingly. The Servicer/Administrator may obtain and rely on the advice of certified public accountants or Bond Counsel in carrying out its duties under this Section 6.12.

(c) The Servicer/Administrator will collect from the Lenders the name of each Mortgagor, address of the Residence financed with each Mortgage Loan and the social security number of each Mortgagor. The Servicer/Administrator, on behalf of the Issuer, will submit such information, and any other information that may be required, to the Internal Revenue Service in the form and at the times required by the Internal Revenue Service.

Section 6.13. Servicer/Administrator's Insurance Policies. The Servicer/Administrator hereby agrees to obtain and maintain at its own expense a blanket fidelity bond and an errors and omissions insurance policy, in full force and effect throughout the term of this Agreement, covering the Servicer/Administrator's officers and employees and other persons acting on behalf of the Servicer/Administrator in its capacity as the Servicer/Administrator hereunder. The amount of coverage shall be at least equal to the coverage required by GNMA, Freddie Mac or Fannie Mae. In the event that any such bond or policy shall cease to be in effect, the Servicer/Administrator shall exercise its best reasonable efforts to obtain from an issuer or insurer licensed in the State and acceptable to the Issuer a comparable replacement bond or policy, as the case may be. No provision of this Section 6.13 shall operate to diminish, restrict, or otherwise limit the Servicer/Administrator's responsibilities and obligations as set forth in this Agreement.

Section 6.14. Servicer/Administrator's Compensation; Servicing Acquisition Fee. (a) As compensation for its servicing activities hereunder and in consideration for servicing the Mortgage Loans for which it is responsible, the Servicer/Administrator shall retain the Servicing Fee earned by it; *provided, however,* that the Servicer/Administrator shall pay from such Servicing Fee the GNMA Guaranty Fee, the Freddie Mac Guaranty Fee and the Fannie Mae Guaranty Fee, as applicable. The Servicing Fee shall be considered to be earned for any particular month with respect to each Mortgage Loan for which the payment of all principal and interest due for such month has been received by the Servicer/Administrator.

(b) Additional servicing compensation in the form of assumption fees, as provided in Section 6.11, and late payment charges, if any, may be paid to or retained by the Servicer/Administrator to the extent provided for in the Mortgage Note and permitted by Law and to the extent not contrary to the terms of the Housing Finance Program Documents.

(c) The Servicer shall pay to the Trustee a Servicing Acquisition Fee with respect to each Mortgage Loan by selling Certificates to the Certificate Purchaser at the Certificate Purchase Price, which shall be calculated as follows:

- (i) 100.5% of the outstanding principal amount of each Certificate, less
- (ii) the Servicing Acquisition Fee, determined as provided in this Section 6.14 and Appendix A, applicable to such Certificate, plus
- (iii) accrued interest at the Pass-Through Rate (which accrued interest will be paid upon receipt by the Certificate Purchaser of the first payment on the Certificate following purchase thereof).

Unless modified as provided in (d) below, the Servicing Acquisition Fee for each Mortgage Loan shall be equal to the applicable percentage set forth below, multiplied by the outstanding principal amount of the Mortgage Loan on the date of purchase of the related Certificate:

- (iv) FHA Mortgage Loans with a Mortgage Loan Rate equal to or above 4.876%, and not exceeding 5.125%: 1.11%
- (v) VA Mortgage Loans with a Mortgage Loan Rate equal to or above 4.876% and not exceeding 5.125%: .086%

Notwithstanding the foregoing, the Servicer/Administrator will sell each GNMA Certificate at a Certificate Purchase Price calculated assuming all of the Mortgage Loans backing such Certificate are FHA Mortgage Loans, and the Issuer shall separately pay the Servicer/Administrator an amount equal to the outstanding principal amount of any VA Mortgage Loans included in the Pool backing such certificate times 0.25%, upon receipt of a statement provided to the Issuer by the Servicer/Administrator.

Based on the initial rates in (iv) and (v) above and the foregoing paragraph, the initial Certificate Purchase Price will be 99.39% of the outstanding principal amount thereof, plus accrued interest.

(d) On one or more dates during the Origination Period, in connection with the establishment by the Issuer of a new Mortgage Loan Rate, the Issuer may notify the Servicer/Administrator that a new Market Rate (as defined on Exhibit A) will be established as of such date. In such event, the Servicing Acquisition Fee payable by the Servicer/Administrator for Certificates purchased from and after such date shall be an amount calculated as provided in Exhibit A hereto.

ARTICLE VII

DUTIES OF THE ISSUER

Section 7.01. Issuance of Bonds. The Issuer hereby agrees to use its best efforts to issue, sell, and deliver the Bonds upon the terms and conditions set forth in the Indenture, to cause the proceeds received from the sale of the Bonds to be applied as provided in the Housing Finance Program Documents and to use its best efforts to allow the Certificates to be issued and purchased as contemplated hereunder.

Section 7.02. Issuance of Notices. The Issuer hereby agrees to issue or cause to be issued such notices as may be necessary to fulfill the obligations of the Issuer hereunder or to effect the purposes of the Housing Finance Program and this Agreement, including, without limitation notices regarding changes in the Maximum Acquisition Cost or Maximum Household Income, which notices shall be accompanied by an opinion of Bond Counsel to the effect that such changes will not adversely affect the tax-exempt status of interest on the Bonds.

Section 7.03. Purchase of Certificates. The Issuer hereby agrees to cause the Certificate Purchaser, subject to the limitations set forth in the Certificate Purchase Agreement and the Indenture, to purchase all GNMA Certificates that are issued by the Servicer/Administrator, Freddie Mac PCs that are issued by Freddie Mac or Fannie Mae MBSs that are issued by Fannie Mae pursuant to Section 4.11 or 4.12 in the manner set forth in the Certificate Purchase Agreement, or Indenture, as applicable; *provided, however,* that no Certificates will be purchased after the expiration of the Certificate Acquisition Period; *provided, further,* that neither the Issuer nor the Trustee shall be under any obligation to purchase Certificates if the Bonds are not delivered.

Section 7.04. Review of Lender's and Servicer/Administrator's Performance. (a) The Issuer shall have the right to review the performance of a Lender, which review may include the reports and recommendations of the Servicer/Administrator and such other evidence as may be presented to the Issuer, to determine if the Lender is performing in accordance with the standards required by this Agreement. If the Issuer, in its sole discretion, determines that a Lender is not performing in accordance with such standards, the Issuer or the Servicer/Administrator shall notify such Lender of any such deficiency, and if such deficiency is sufficient to warrant termination of the Lender by the Issuer, then the Issuer or the Servicer/Administrator shall notify such Lender that the services of such Lender are being terminated and the date on which such termination shall be effective.

(b) The Issuer shall have the right to review the performance of the Servicer/Administrator, which review may include the reports or recommendations of the Trustee, if any, and such other evidence as may be presented to the Issuer, to determine if the Servicer/Administrator is performing in accordance with the standards required by this Agreement or if an event specified in Section 8.06(C) shall have occurred. If the Issuer determines, based on evidence presented to it, that the Servicer/Administrator is not performing in accordance with such standards, or if an event specified in Section 8.06(C) shall have occurred, the Issuer shall notify the Servicer/Administrator thereof, and if sufficient to warrant the termination of the Servicer/Administrator, as administrator (and not as servicer) hereunder, pursuant to Section 8.06(C), then the Issuer shall notify the Servicer/Administrator that the services of the Servicer/Administrator as administrator (and not a servicer) hereunder are being terminated pursuant to Section 8.06(C), and the date on which such termination shall be effective. The Issuer may also take legal action against the Servicer/Administrator to recover damages occurring to the Issuer as a result of a failure by the Servicer/Administrator to perform its obligations hereunder.

(c) The Issuer and its agents may from time to time request the Servicer/Administrator to allow the inspection of the Servicer/Administrator's books and records pertaining to the Housing Finance Program and the Servicer/Administrator shall allow such inspections and access to such books and records at reasonable times during the Servicer/Administrator's normal business hours and upon reasonable terms.

ARTICLE VIII

TERMINATION AND LIABILITIES

Section 8.01. Lender Not to Resign. No Lender shall have the right to resign from the obligation and duties hereby imposed on it. Except as permitted by Section 2.03(1), no Lender shall have the right or privilege to assign or transfer its rights and duties hereunder.

Section 8.02. Involuntary Termination of Lender. The Servicer/Administrator or the Issuer, upon the recommendation of the Servicer/Administrator, may terminate this Agreement with respect to any Lender upon the happening of any one or more of the following events:

(a) Failure of the Lender to repurchase defective Mortgage Loans pursuant to Section 4.17 within the applicable time periods set forth therein;

(b) Any representation or warranty of the Lender to the Issuer, the Trustee, or the Servicer/Administrator shall be false in any material respect;

(c) Failure of the Lender to comply in all respects with its obligations under Section 4.17;

(d) Failure of the Lender to duly observe or perform in any material respect any other covenant, condition, or agreement herein to be observed or performed by the Lender other than as referred to in Sections 8.02(a), (b), or (c), for a period of thirty (30) days after a written notice to such Lender from either the Issuer, the Trustee, or the Servicer/Administrator, specifying such failure and requesting that it be remedied; *provided, however*, that if the failure stated in the notice cannot be corrected within the applicable period, the person giving such notice shall consent to a reasonable extension of time if corrective action is instituted by the Lender within the applicable period and diligently pursued until fully corrected; *provided further*, that if the failure cannot be, or is not, corrected within such period, the Lender may be terminated pursuant to this Section 8.02;

(e) Issuance or entry of a decree or order of a court, agency, or supervisory authority having jurisdiction in the premises appointing a conservator, receiver, or liquidator in any insolvency, readjustment of debt, marshaling of assets and liabilities, or similar proceeding affecting the Lender or substantially all of its properties, or for the winding-up or liquidation of its affairs, if such decree or order shall have remained in force undischarged or unstayed for a period of sixty (60) days;

(f) Consent by the Lender to the appointment of a conservator, receiver, or liquidator in any insolvency, readjustment of debt, marshaling of assets and liabilities, or similar proceeding affecting the Lender or substantially all of its properties; or

(g) Admission in writing by the Lender of its inability to pay debts generally as they mature, or the filing of a petition to take advantage of any applicable bankruptcy or insolvency statute or Debtor Relief Laws, or the making of an assignment for the benefit of creditors.

If any of the events specified in (e), (f), or (g) shall occur, the Lender shall give written notice of such occurrence to the Issuer, the Trustee, and the Servicer/Administrator within ten days of the happening of such event.

Section 8.03. Lender's Excused Nonperformance. Notwithstanding anything in the Agreement to the contrary, there shall be no termination of, and no liability under, this Agreement with respect to any Lender for its failure to duly observe or perform in any material respect any covenant, condition, or agreement to be observed or performed by a Lender, if such failure on the part of such Lender is directly caused by the failure of the Servicer/Administrator, the Trustee, or the Issuer to duly observe or perform in any material respect any covenant, condition, or agreement to be observed or performed by the Servicer/Administrator, the Trustee, or the Issuer.

Section 8.04. Access to Lender's Records. The Servicer/Administrator and its respective agents may from time to time request a Lender to allow the inspection of any of the Lender's books and records pertaining to the Housing Finance Program and the Lender shall allow such inspections and access to

such books and records at reasonable times during the Lender's normal business hours and upon reasonable terms.

Section 8.05. Servicer/Administrator Not to Resign. The Servicer/Administrator shall have no right to resign from the obligations and duties hereby imposed on it as servicer, and may only resign its administrative duties upon failure of the Trustee or the Issuer to make payment of any money due to the Servicer/Administrator hereunder, or such other breach of this Agreement by the Trustee or the Issuer that adversely affects the Servicer/Administrator, which failure or breach shall continue for a period in excess of thirty (30) days after receipt of written notice by the Issuer and the Trustee. Except as permitted by Section 2.02(g), the Servicer/Administrator shall have no right or privilege to assign or transfer its rights and duties hereunder without the prior written consent of the Issuer and the Trustee.

Section 8.06. Involuntary Termination of Servicer/Administrator.

(A) *Termination as Servicer/Administrator.* The Issuer may not terminate the Servicer/Administrator as servicer of the Mortgage Loans under the Certificates already issued at the time of termination. If GNMA, pursuant to the GNMA Guide, terminates the Servicer/Administrator as servicer, then the Mortgage Loans under the GNMA Certificates will be serviced by a successor servicer appointed by GNMA. If Freddie Mac, pursuant to the Freddie Mac Guide, terminates the Servicer/Administrator as servicer, then the Mortgage Loans under the Freddie Mac PCs will be serviced by a successor servicer appointed by Freddie Mac. If Fannie Mae, pursuant to the Fannie Mae Guides, terminates the Servicer/Administrator as servicer, then the Conventional Mortgage Loans will be serviced by a successor servicer as appointed by Fannie Mae. In such case, the Issuer shall use its best efforts to have such successor servicer execute and be bound by this Agreement.

(B) *Termination as GNMA Certificate Issuer.* If, during the Origination Period, the Servicer/Administrator is notified by GNMA that it no longer qualifies as an issuer of GNMA Certificates, then the Issuer shall exercise its best reasonable efforts to appoint a successor issuer who is approved to issue GNMA Certificates and acceptable to the Rating Agency (as defined in the Indenture), and such successor shall execute and be bound by this Agreement. Such successor shall service all Mortgage Loans pooled in GNMA Certificates for which it is the issuer.

(C) *Termination as Administrator.* The Issuer may terminate this Agreement with respect to the Servicer/Administrator as to administrative services and activities hereunder and as to servicing of Mortgage Loans not theretofore pooled into Certificates upon purchase of such Mortgage Loans by a successor servicer and upon the occurrence of any one or more of the following events:

(a) Failure of the Servicer/Administrator to remit to the CPTA for deposit in accordance with the GNMA Guide or remit to Freddie Mac or Fannie Mae for deposit in accordance with the Freddie Mac Guide and Fannie Mae Guides, respectively, any amounts received by the Servicer/Administrator in connection with the Mortgage Loans that are required to be so remitted;

(b) Any representation or warranty of the Servicer/Administrator to the Issuer, the Trustee, or any Lender shall be false in any material respect;

(c) Failure of the Servicer/Administrator to duly observe or perform in any material respect any other covenant, condition, or agreement herein to be observed or performed by the Servicer/Administrator, other than as referred to in Sections 8.06(C)(a) or (b), for a period of thirty (30) days after written notice to the Servicer/Administrator from either the Issuer or the Trustee, specifying such failure and requesting that it be remedied; *provided, however*, if the failure stated in the notice cannot be corrected within the applicable period, the person giving such notice shall consent to a reasonable extension of time if corrective action is instituted by the Servicer/Administrator within the applicable period and diligently pursued until fully corrected;

(d) Issuance or entry of a decree or order of a court, agency, or supervisory authority having jurisdiction in the premises appointing a conservator, receiver, or liquidator in any insolvency, readjustment of debt, marshaling of assets and liabilities, or similar proceeding affecting the Servicer/Administrator or substantially all of its properties, if such decree or order shall have remained in force undischarged or unstayed for a period of sixty (60) days;

(e) Consent by the Servicer/Administrator to the appointment of a conservator, receiver, or liquidator in any insolvency, readjustment of debt, marshaling of assets and liabilities, or similar proceeding affecting the Servicer/Administrator or substantially all of its properties;

(f) Admission in writing by the Servicer/Administrator of its inability to pay debts generally as they mature, or the filing of a petition to take advantage of any applicable bankruptcy or insolvency statute or Debtor Relief Laws, or the making of an assignment for the benefit of creditors;

(g) Removal of the Servicer/Administrator by GNMA, Freddie Mac or Fannie Mae or its agents as servicer of the Mortgage Loans; or

(h) Notification to the Servicer/Administrator by GNMA during the Origination Period that it no longer qualifies as an issuer of GNMA Certificates, or by Freddie Mac during the Origination Period that it no longer qualifies as an issuer of Freddie Mac PCs or by Fannie Mae during the Origination Period that it no longer qualifies as a seller of Fannie Mae MBSs.

If any of the events specified in (d), (e), (f), (g), or (h) above shall occur, the Servicer/Administrator shall give written notice of such occurrence to the Issuer and the Trustee within two days of the happening of such event. Upon termination of the Servicer/Administrator as administrator, a new administrator shall be appointed pursuant to the provisions of Section 8.12.

Section 8.07. Transfer of Terminated Servicer/Administrator's Duties. Upon termination of this Agreement with respect to the Servicer/Administrator as administrator pursuant to Section 8.06(C), the Servicer/Administrator shall, within thirty (30) days, deliver, or cause to be delivered to the Issuer or its designee, all files, other than proprietary computer software, of the Servicer/Administrator relating to the Mortgage Loans and this Housing Finance Program.

Section 8.08. Servicer/Administrator's Excused Nonperformance. Notwithstanding anything in this Agreement to the contrary, there shall be no termination of, and no liability under, this Agreement with respect to the Servicer/Administrator for its failure to duly observe or perform in any material respect any covenant, condition, or agreement to be observed or performed by the Servicer/Administrator, but not including the Servicer/Administrator's obligations to review the originating performance of all Lenders, if such failure on the part of the Servicer/Administrator is directly caused by the failure of the Issuer, the Trustee, or any Lender to duly observe or perform in any material respect any covenant, condition, or agreement to be observed or performed by the Issuer, the Trustee, or any Lender.

Section 8.09. Agreement to Pay Attorneys' Fees. If a Lender or the Servicer/Administrator has failed to perform under any provision of this Agreement, or if a new administrator is appointed pursuant to Section 8.12, and if the Issuer or the Trustee shall employ attorneys or incur other expenses for the enforcement, performance, or observance of the terms of the Agreement on the part of such Lender or the Servicer/Administrator, then the Issuer or the Trustee, as the case may be, to the extent permitted by Law, shall be reimbursed by such Lender or the Servicer/Administrator, as the case may be, on demand, for reasonable attorneys' fees and other out-of-pocket expenses.

Section 8.10. No Liability for Removal of Lender or Servicer/Administrator. Notwithstanding any provision in this Agreement to the contrary, none of the Issuer, the Trustee, the Servicer/Administrator, or any other Lender shall be liable in any respect for the termination of a Lender for cause, or owe any duty to any such Lender if terminated for cause. None of the Issuer, the Trustee, or any Lender shall be liable in any respect for the termination of the Servicer/Administrator for cause, or owe any duty to the Servicer/Administrator if terminated for cause.

Section 8.11. No Remedy Exclusive. No remedy herein conferred upon or reserved to any party is intended to be exclusive of any other available remedy, but each remedy shall be cumulative and shall be in addition to other remedies given under this Agreement or existing at law or in equity. No delay or omission to exercise any right or power accruing under this Agreement shall impair any such right or power, or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 8.12. Remedies. (a) In the event of termination of the Servicer/Administrator, as administrator (and not as servicer) hereunder, pursuant to Section 8.06(C), the Issuer shall, by registered or certified mail, give notice to each Lender of such termination and, when accomplished, of the appointment of a successor administrator. Until a successor administrator is appointed and assumes the obligations and duties of administrator hereunder, the Servicer/Administrator shall continue to act in the capacity of administrator, subject to its right to resign pursuant to Section 8.05; *provided, however*, that any termination of the Servicer/Administrator with respect to its servicing of the Mortgage Loans shall only be effected in accordance with the GNMA Guide, Freddie Mac Guide and Fannie Mae Guides.

(b) The Issuer may, or the Trustee, as a third party beneficiary of this Agreement, may (but shall not have the duty to), take whatever other action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under this Agreement or to enforce performance and observance of any obligation, agreement or covenant of the Servicer/Administrator under this Agreement.

ARTICLE IX

MISCELLANEOUS PROVISIONS

Section 9.01. Amendments, Changes, and Modifications. This Agreement may not be amended, changed, modified, or altered except with the written consent of the Issuer (which consent shall be given only as provided in the Indenture) by an instrument in writing that specifically refers to this Agreement and that is executed by all parties adversely affected by such amendment change, modification, or alteration, except that the Maximum Acquisition Cost, Maximum Household Income and other program-related requirements may be changed by written notice (a "Supplemental Notice") provided by the Issuer to the Servicer/Administrator, accompanied by an Opinion of Bond Counsel to the effect that such change does not adversely affect the tax-exempt status of interest on the Bonds. The Servicer/Administrator shall

immediately notify the Lenders of any changes made by Supplemental Notice and shall send a copy of such Supplemental Notice to the Underwriter.

Section 9.02. Limitation on Rights of Bondholders. No Bondholder shall have any right to institute a suit with respect to this Agreement except as provided in this Agreement and the Indenture and for the equal benefit of all Bondholders.

Section 9.03. Governing Law. This Agreement shall be construed in accordance with the Laws of the State, and the obligations, rights, and remedies of the parties hereunder shall be determined in accordance with such Laws.

Section 9.04. Notices. All notices, certificates, or other communications hereunder shall be deemed given when delivered or five Business Days after mailing by certified or registered mail, postage prepaid, return receipt requested, addressed to the appropriate Notice Address. The Issuer, the Trustee, the Servicer/Administrator or any Lender may, by notice given hereunder, designate any further or different address to which subsequent notices, certificates, and other communications shall be sent.

Section 9.05. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof. Such invalid or unenforceable provision shall be amended, if possible, in accordance with Section 9.01 in order to accomplish the purposes of this Agreement.

Section 9.06. Further Assurances and Corrective Instruments. To the extent permitted by Law, each of the Issuer, the Servicer/Administrator, and each Lender agrees that it will, from time to time, execute, acknowledge, and deliver, or cause to be executed, acknowledged, and delivered, such supplements hereto and such further instruments as may reasonably be required or appropriate to further express the intention, or to facilitate the performance, of this Agreement.

Section 9.07. Term of Agreement. This Agreement shall continue in full force and effect so long as the Issuer, or the Trustee on behalf of the Issuer, shall own any Certificates.

Section 9.08. No Rights Conferred on Others. Nothing in this Agreement shall confer any right upon any person other than the Issuer, the Trustee, the Servicer/Administrator and the Lenders; *provided, however,* that Bondholders may, to the extent permitted in, and in accordance with the terms of, the Indenture, enforce any of the rights of the Trustee hereunder.

Section 9.09. Limitation on Liability of Parties. Except as otherwise provided herein, each party to this Agreement shall be liable under this Agreement only to the extent that obligations are explicitly imposed upon and undertaken by the party against whom enforcement is sought. In the event any party to this Agreement is entitled to indemnification hereunder, the officers, directors, employees, and agents of such party shall also be entitled to indemnification hereunder to the same extent and under the same circumstances as such party.

Section 9.10. Limitation on Liability of Directors, Officers, Employees, and Agents of a Party. No director, officer, employee, agent or governmental official of any party to this Agreement shall be individually liable to any other party or to the Bondholders for the taking of any action, or for refraining to take any action, pursuant to this Agreement, or for errors in judgment.

Section 9.11. Survival of Obligations and Covenants. Notwithstanding anything to the contrary herein, the expiration of this Agreement or the termination or resignation of any Lender under this Agreement shall not affect any obligations of such Lender under this Agreement, including, without

limitation, obligations under Section 4.17. The representations, warranties, and covenants of Lender under Sections 2.03 and 2.04 shall continue without regard to any termination of Lender hereunder. Any indemnities in this Agreement shall survive the termination of a Lender hereunder.

Section 9.12. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original; *provided, however,* that all such counterparts shall together constitute one and the same instrument.

Section 9.13. Headings. The headings of the various sections of this Agreement have been inserted for convenience of reference only, and shall not be deemed to be a part of this Agreement.

Section 9.14. Reports and Payments Due on Weekends and Holidays. Any report, certificate, or payment required hereunder falling due on a Saturday, Sunday, or other day on which banking institutions in the State are authorized or obligated by Law or executive order to close shall be due on the next succeeding day which is not a Saturday, Sunday, or a day on which banking institutions are authorized or obligated by Law to close.

Section 9.15. Trustee's Obligations. The Trustee is a third party beneficiary to this Agreement. The Issuer, in the Indenture, has assigned all of its right, title, and interest in (but not its duties) under this Agreement with respect to the Bonds and the Mortgage Loans and Certificates pledged to secure such Bonds all as provided in the Indenture. As such third party beneficiary, the Trustee has no duties and obligations with respect to this Agreement, except to perform its obligations as may be expressly provided in the Indenture and as provided in Section 8.12 herein to exercise the rights assigned to it by the Issuer under GRANTING CLAUSE FIRST of the Indenture.

[Remainder of page intentionally left blank]

In Witness Whereof, this Agreement has been executed as of the day and year first above written.

U.S. BANK NATIONAL ASSOCIATION,
as Servicer/Administrator

By: _____
Name: _____
Title: _____

In Witness Whereof, this Agreement has been executed as of the day and year first above written.

DAKOTA COUNTY COMMUNITY DEVELOPMENT
AGENCY, as Issuer

By _____
Its Chair

By _____
Its Secretary

**[ORIGINATION, SALE AND SERVICING AGREEMENT
COUNTERPART SIGNATURE PAGE]**

LENDER: _____
NAME OF INSTITUTION:

By: _____
(Authorized Officer)

ATTEST:

By: _____
(Authorized Officer)

Lender's Notice Address:

Street Address:
City:
State/Zip Code:
Attention:
Phone:
Fax:
Email:

EXHIBIT A
SERVICING ACQUISITION FEE

For purposes of calculating the Servicing Acquisition Fee, the following terms shall have the following meanings:

“*Market Rate*” means, on the date of determination, the sum of (i) the required net yield for a 90-day mandatory delivery commitment for 30-year fixed rate loans as stated on eFannieMae.com, and (ii) 0.25%.

“*Rate Differential*” means, as of the date of determination, the amount determined by subtracting the Market Rate from the Mortgage Loan Rate then in effect.

In the event the Issuer has notified the Servicer/Administrator that a new Market Rate will be established, the Servicing Acquisition Fee shall be determined on the basis of the of the table set forth below, using the Rate Differential in effect on the date identified by the Issuer in such Notice. The Servicing Acquisition Fee for a Mortgage Loan shall be equal to the applicable percentage in the table set forth below multiplied by the outstanding principal amount of the Mortgage Loan on the date of purchase of the related Certificate.

Rate <u>Differential</u>	GNMA <u>0.19% Net Servicing</u>	Fannie/Freddie <u>0.25% Net Servicing</u>
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Mortgagor's adjusted basis for purposes of determining gain or loss on the sale or exchange of a capital asset on the date of completion of the rehabilitation, or if later, the date the Mortgagor acquires the Property.

4. The following is true and correct information about Mortgagor's household:

Number in Household _____ **Number of Income Recipients** _____ **Number of Minors** _____

5. **Principal Residence.** Mortgagor will occupy the Property as Mortgagor's principal residence within a reasonable time which is not later than 60 days following closing. Mortgagor has no present intent to lease, sell, assign or transfer any interest of the Mortgagor in the Property to another. Mortgagor has not entered into any agreements, understanding or other arrangement to lease, sell, assign or transfer the Property.

Mortgagor will notify the Mortgage Loan servicer immediately in the event that he or she vacates the Property, and will keep the Issuer informed of his or her current mailing address.

6. **Duplex.** If the Property contains more than one dwelling unit, there are no more than two units, at least one of which will be occupied by the Mortgagor within 60 days after closing of the mortgage loan, and the Property was first occupied as a residence at least 5 years before the date the Note is executed.

7. **New Mortgage.** Unless the Mortgage Loan is a Qualified Rehabilitation Loan, none of the Loan proceeds will be used to acquire or replace an existing mortgage, and Mortgagor did not have a mortgage (whether or not paid off) on the Property at any time prior to the execution of the mortgage (except that Mortgagor may have a construction period loan or temporary initial financing of twenty-four (24) months or less with respect to the Property and may use the proceeds of the Mortgage Loan to repay such financing, The Mortgagor is using proceeds of the Mortgage Loan for the purpose of acquiring the Property and if applicable, completing rehabilitation and repair of the property.

8. **Household Income.** The Household Income of Mortgagor's household is stated below. For this purpose, Mortgagor understands that HOUSEHOLD INCOME includes total income from all sources (before taxes and withholding) of all adult persons residing or intending to reside in the Property to be financed with the proceeds of the Mortgage Loan. Household Income is defined as the "current gross income" of a potential Mortgagor, and shall in any event include the current gross income of all persons who live or intend to live with the Mortgagor in the same dwelling unit (other than persons under 18 years of age who are not primarily liable or secondarily liable on the Note), but exclusive of the income of any co-signor of a Note who does not live or intend to live in the home, as evidenced by documentation satisfactory to the Lender. "Current gross income" is annualized gross monthly income. Gross monthly income is the sum of: monthly gross pay; any additional income from overtime; part-time employment; bonuses; dividends; interest; royalties; pensions; VA compensation; net rental income; and other income (such a alimony, child support, public assistance, sick pay, social security benefits, unemployment compensation, income received from trusts, and income received from business activities or investments).

	<u>Mortgagor</u>	<u>CoMortgagor/Spouse</u>	<u>Other Occupants</u>
Annual Wages, Commissions, Bonuses	\$ _____	\$ _____	\$ _____
Self-Employment (Plus Depreciation)	\$ _____	\$ _____	\$ _____
Dividends/Interest/Annuities/Pensions/ Rental Income	\$ _____	\$ _____	\$ _____
Child Support/Alimony/Public Assistance	\$ _____	\$ _____	\$ _____
Other Income	\$ _____	\$ _____	\$ _____
Grand Total Annual Household Income (Add All Amounts Above)	\$ _____		

9. **Acquisition Cost.** The acquisition cost of the Property, excluding personal property but including fixtures and cost of land if purchased separately and not owned more than 2 years, is \$ _____. The Property is a completed residential unit. If the property is existing housing, no repair or rehabilitation to the Property is necessary to bring the property into compliance with industry accepted underwriting standards, or I have included in the acquisition cost the cost of any such repair or rehabilitation. If the Property is new construction, no additional work is necessary to complete the Property to permit occupancy under local law or to finish the Property to the extent normally provided by the builder.

Mortgagor understands that for the purposes of the foregoing the "acquisition cost" of the Property is the cost of acquiring the Property from the seller as a completed residential unit. The acquisition cost includes: (a) all amounts paid, either in cash or in kind, by the purchaser (or a related party or for the benefit of the purchaser) to the seller (or a related party or for the benefit of the seller) as consideration for the Property; (b) if a residence is incomplete, the reasonable cost of completing the residence, whether or not the cost of completing construction is to be financed with proceeds of the mortgage loan; (c) where a residence is purchased subject to a ground rent, the capitalized value of the ground rent shall be included in the Acquisition Cost (such value shall be computed using a discount rate determined by the Issuer); and

Exhibit B

(d) fixtures such as wall-to-wall carpeting, light fixtures and curtain rods. The acquisition cost does not include: (a) personal property purchased from the seller, except to the extent the cost of such property exceeds its fair market value; (b) the usual and reasonable settlement or financing costs (settlement costs include titling and transfer costs, title insurance, survey fees, or other similar costs) (financing costs include credit reference fees, legal fees, appraisal expenses, or other costs of financing the residence); (c) the value of services performed by my family in completing the residence. For purposes of the preceding sentence, Mortgagor's family includes only Mortgagor's brothers and sisters (whether by whole or half blood), spouse, ancestors, and lineal descendants; (d) the cost of land which has been owned by Mortgagor for at least two (2) years prior to the date on which construction of the residences begins.

The Borrower has not assumed or incurred any indebtedness to anyone relating to the acquisition of the Property other than to the Property Seller and those entities, if any, responsible for the rehabilitation work as shown in the agreements referred to in paragraph 10 hereof.

10. **Purchase Agreement.** A true and correct copy of the complete agreement with the seller for the purchase of the Property and copies of complete documentation of rehabilitation or repair work, if any, completed on the Property on behalf of the Borrower have been provided to the Lender, and the purchase price and the total rehab costs stated therein are true, correct and complete as stated.

11. **No Assumption of Debt.** The Mortgagor has not assumed or incurred any indebtedness to anyone relating to the acquisition of the Property other than to the Property Seller and those entities, if any, responsible for the rehabilitation work as shown in the agreements referred to in paragraph 10 hereof.

12. **Correct Purchase Price.** With respect to the Acquisition Cost of the Property, the price stated in the purchase agreement between the Mortgagor and the Property Seller is true and correct and represents the complete agreement between the purchaser or purchasers (or a related party for the benefit of the purchaser) and the Property Seller (or a related party to or for the benefit of the Property Seller) with respect to the purchase price including the price of all fixtures. Any indebtedness assumed or incurred by the Mortgagor or anyone active on his or her behalf directly or indirectly (including any special assessments) has been disclosed, in writing to the Lender.

13. **Personal Property.** No part of the Loan will be used to purchase appliances, furniture or other personal property not permanently affixed to the Property.

14. **Assumption.** Mortgagor will not permit any person to assume my obligations under the Mortgage (and related Note) without the express written consent of the Issuer or the Servicer under the Program. I understand that such person must satisfy requirements relating to information set forth in this Certificate, and so state under oath.

15. **Business use of Property.** The Mortgagor does not now and does not intend to use more than 15% of the total area of the Property primarily in a trade or business in a manner which would permit the Mortgagor to take a deduction for any portion of the costs of the Property for expenses incurred in connection with such trade or business use of the Property on the Mortgagor's federal income tax return. (For at-home day care, less than 15% of the residence is used regularly and exclusively for the business.) I do not now and do not intend to use the Property as an investment property (except with respect to the rental of a unit in a two-unit home) or as a recreational home. The land appurtenant to the home is only that amount of land which reasonably maintains the basic livability of the home and will not provide a source of income to the Mortgagor.

16. **Inspections.** The Mortgagor will not unreasonably withhold his or her consent to any inspection of the Property (the exterior or the interior thereof) conducted by the Lender or its agents or the Issuer or its agent, for the purpose of verifying the truth of any of the statements contained in this Mortgagor Affidavit, provided the inspection is conducted at a reasonable time and in a reasonable manner.

17. **Purchase of Bonds.** Neither Mortgagor, nor a person related to Mortgagor, within the meaning of Section 144 (a) (3) of the Internal Revenue Code of 1986, will purchase Dakota County Community Development Agency Mortgage Revenue Bonds pursuant to any arrangement, formal or informal, in an amount related to the amount of the mortgage loan.

18. **Application.** The Mortgagor has completed its application for the Mortgage Loan in the form required by the Lender within the four (4) month period ending on the date of the closing of the Mortgage Loan and states that all information on the applicable form was true and correct as of the date of execution, and states that on said form, all sources of Borrower income have been disclosed and recited, including salary, commissions, bonuses, earnings from part-time employment, interest, dividends, tips, gains on sales of securities, annuities, pensions, royalties, VA compensation, net rental income from all sources, alimony, child support, public assistance, sick pay, social security benefits, income received from business activities or investments, estate or trust income, unemployment compensation and miscellaneous income.

19. **No Misstatements.** The Mortgagor has made no material misstatements in connection with the application for the Mortgage loan evidenced by the Note and Mortgage. I understand that the information provided in this document is being submitted for the purpose of establishing eligibility for a Mortgage Loan under a Single Family Housing Finance Program of the Dakota County Community Development Agency. The statements and information set forth herein are made under penalty of perjury. I understand that perjury is a felony offense punishable by fine or imprisonment or both.

Exhibit B

Dated: _____

Mortgagor

Mortgagor

STATE OF MINNESOTA)
)ss.
COUNTY OF _____)

Sworn to and subscribed before me on the _____ day of _____, 20_____.

Personalized Seal

Notary Public Signature

Seller's Affidavit

The undersigned, being first duly sworn (or affirmed) under oath, hereby states and certifies that:

I am the present owner and seller of the home being sold to the Mortgagor identified above, located at the property address indicated in the preceding Mortgagor's Affidavit. The sales price of the home, including fixtures but excluding personal property, is \$_____ or less.

I understand that the sales price of the home is the purchaser's cost of acquiring the home from me as a completed residential unit. **The sales price includes:** (a) all amounts paid, either in cash or in kind, by the purchaser (or a related party or for the benefit of the purchaser) to me as seller (or related party or for the benefit of me as seller) as consideration for the residence; (b) if the residence is incomplete, the reasonable cost of completing the residence whether or not the cost of completing construction is to be financed with proceeds of the purchaser's mortgage loan; (c) where the residence is purchased subject to a ground rent, the capitalized value of the ground rent shall be included in the sales price. Such value shall be computed using a discount rate specified by the Issuer; and (d) fixtures, such as wall-to-wall carpeting, light fixtures and curtain rods.

The sales price does not include: personal property purchased from me, except to the extent the cost of such property exceeds its fair market value; (b) the usual and reasonable settlement or financing costs. Settlement costs include titling and transfer costs, title insurance, survey fees, or other similar costs. Financing costs include credit reference fees, legal fees, appraisal expenses, "points" which are paid by the purchaser (but not the seller, even though borne by the purchaser through a higher purchase price) or other costs of financing the residence; (c) the value of services performed by any member of the purchaser's family in completing the residence. For purposes of the preceding sentence, the family of an individual includes only the individual's brothers and sisters (whether by whole or half blood), spouse, ancestors, and lineal descendants, or (d) the cost of land which has been owned by any purchaser for at least two (2) years prior to the date on which construction of the residences begins.

Seller

Seller

STATE OF MINNESOTA)
)ss.
COUNTY OF _____)

Sworn to and subscribed before me on the _____ day of _____, 20_____.

Personalized Seal

Notary Public Signature

Exhibit B

LENDER'S CERTIFICATE

The undersigned, _____, as an officer of _____, the Lender and as an agent of the Dakota County Community Development Agency (the "Issuer"), hereby certifies, with respect to the origination of a Mortgage Loan being made to the Mortgagor to acquire the Property at the property address indicated in the preceding Mortgagor's Affidavit, the following:

1. Capitalized terms used but not defined herein have the meanings given them in the Origination, Sale and Servicing Agreement (the "Origination Agreement"), dated December 1, 2009, between the Issuer, U.S. Bank National Association, as Servicer/Administrator, and the Lender.
2. The Lender has closed a Mortgage Loan to the Mortgagor on the date, in the principal amount of \$_____ secured by the property indicated in the Mortgagor's Affidavit above.
3. The property securing the Mortgage Loan is a Residence, the Mortgagor's Household Income does not exceed the Maximum Household Income, and the Mortgagor, Residence and Mortgage Loan satisfy the requirements of the Origination Agreement, particularly Article IV thereof. As required in Section 4.04 of the Origination Agreement, the Lender has verified that either (check one): the Mortgagor has not owned a principal residence within 3 years prior to the date of the Note, or the Mortgage Loan is a Qualified Rehabilitation Loan. The Lender has verified the other Mortgage Eligibility Requirements with respect to the Mortgage Loan in accordance with Section 4.04(d) of the Origination Agreement.
4. The Lender has not provided any financing in this transaction except for the subject Mortgage Loan and a DPL, if applicable.
5. The Lender has received a title insurance binder insuring the Lender and its assigns with respect to title to the property (the "Title Policy") and all premiums required to establish such insurance in full force and effect have been paid. The title insurance binder complies with the requirements of the Origination Agreement and the Lender is not aware of any facts or circumstances which would affect the delivery of the final title insurance policy in accordance with time and form requirements of the Origination Agreement.
6. Except with respect to liens, defects, exceptions and encumbrances permitted by the Origination Agreement, the Lender has made all payments necessary to extinguish all liens shown on the Title Policy and has received and recorded all documents or instruments necessary to cure all defects and to cause the elimination of all exceptions shown on the Title Policy.
7. The deed to the property, the Note and Mortgage on the property, the Assignment of the Mortgage to the Servicer, and all of the documents necessary for the transfer of title to the Property to the Eligible Borrower for the granting of a Note and Mortgage on the Residence to the Lender and the assignment of such Note and Mortgage to the Servicer/Administrator have been duly executed, acknowledged, received and recorded. The lien securing the Mortgage Loan has been perfected by recording and has not been impermissibly satisfied, subordinated or impaired. The Mortgage Loan is not subject to any other pledge or assignment.
8. The Lender has received an original Insurance Binder or Policy evidencing all hazard insurance, mortgage insurance and flood insurance (where applicable) as required by the Origination, Sale and Servicing Agreement, and is not aware of the fact or circumstance which would affect the delivery of the hazard insurance policy if not previously received in a timely manner and acceptable form. All premiums required to establish such insurance(s) in full force and effect have been paid.
9. Lender has inspected or caused an appraiser to inspect the Residence and has determined whether it (i) constitutes a completed residence unit, (ii) contains land in excess of normal requirements, (iii) shows evidence of use or design for use in a trade or business of the Mortgagor and (iv) is occupied by, or will be occupied within the next 60 days by, the Mortgagor as Mortgagor's principal residence.
10. All of the affidavits supplied have been reviewed, and the Lender has no knowledge of any false statement therein.
11. The Mortgage Loan has been originated in accordance with the Origination Agreement and the Issuer's Housing Finance Program. The Lender has reviewed the Mortgagor's application and the Affidavit of Mortgagor for conformity with the provisions of the Origination Agreement. The Lender has, with due diligence, investigated and verified the information

Exhibit B

in the Affidavit of Mortgagor and determined such information to be true and correct. Information supplied by the Lender has been accurately supplied by the Mortgagor or the Lender in connection with the Mortgage Loan. The Mortgage Loan has been underwritten in accordance with the Origination Agreement and prudent lending practice.

12. Neither the Seller nor the Mortgagor or spouse or other person related by blood or adoption to such Seller or Mortgagor is a member or officer of the Issuer, or an officer, director or principal shareholder of the Lender, the Trustee or the Servicer/Administrator.

LENDER ALSO CERTIFIES:

IF NEW CONSTRUCTION, THE OCCUPANCY DATE IS: _____

Dated

Signature of Authorized Officer

Telephone Number of Authorized Officer

Print Name & Title of Authorized Officer

CERTIFICATE OF CO-SIGNOR / GUARANTOR

There are important legal consequences to this Affidavit. Read carefully before signing.

STATE OF MINNESOTA

COUNTY OF _____

SERVICER LOAN # _____

I/we the undersigned, as an obligor on a note (the "Note") made in connection with a mortgage loan (the "Mortgage Loan") being submitted by the Mortgagor(s):

MORTGAGOR LAST NAME FIRST MIDDLE

COMORTGAGOR LAST NAME FIRST MIDDLE

in the amount of \$ _____

from _____ (the "Mortgage Lender")

under the Dakota County Community Development Agency's single family housing finance program, hereby certify that I/we are executing the note solely for purposes of providing additional security for the Mortgage Loan.

I/we further certify that I/we have no other financial or ownership interest in the property subject to the Mortgage Loan and that I/we have no intention to and will not occupy the property subject to the Mortgage Loan as a permanent/primary residence.

The statement set forth herein is made under penalty of perjury. I understand that perjury is a felony punishable by fine, imprisonment or both.

Dated

Signature of Cosignor/Guarantor

Dated

Signature of Cosignor/Guarantor

Sworn to and subscribed before me on _____ day of _____, _____.

PERSONALIZED

Notary Public Signature

SEAL

EXHIBIT C
TAX-EXEMPT FINANCING RIDER

THIS TAX-EXEMPT FINANCING RIDER is made this _____ day of _____, _____, and is incorporated into and shall be deemed to amend and supplement the Mortgage, Deed of Trust or Security Deed—"Security Instrument") of the same date given by the undersigned("Borrower") to secure Borrower's _____ Note ("Note") to _____ ("Lender") of the same date and covering the property described in the Security Instrument and located at _____ (Property Address)

In addition to the covenants and agreements made in the Security Instrument, Borrower and Lender further covenant and agree as follows:

Lender, or such of its successors or assigns as may by separate instrument assume responsibility for assuring compliance by the Borrower with the provisions of this Tax-Exempt Financing Rider, may require immediate payment in full of all sums secured by this Security Instrument if:

(a) all or part of the property is sold or otherwise transferred (other than by devise, descent or operation of law) by Mortgagor to a purchaser or other transferee: (i) who cannot reasonably be expected to occupy the property as a principal residence within a reasonable time after the sale or transfer; or (ii) at an acquisition cost which is greater than then-current program requirements; or (iii) who has a gross income in excess of then-current Program limits; or

(b) Mortgagor fails to occupy the property described in the mortgage without prior written consent of the Mortgagee or its successors or assigns described at the beginning of this Addendum; or

(c) Mortgagor omits or misrepresents a fact that is material with respect to the program requirements in an application for this mortgage; or

(d) All or any part of the property securing the Mortgage (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.

However, Borrower may transfer all or part of the property securing the Mortgage 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 the Mortgage is acceptable to Lender under its customary underwriting standards.

To the extent permitted by applicable law, Lender may charge a reasonable fee as a condition to Lender's consent to the loan assumption agreement. Lender also may require the transferee to sign an assumption agreement that is acceptable to Lender and that obligates the transferee to keep all the promises and agreements made in the Note and in the Mortgage. Borrower will continue to be obligated under the Note and the Mortgage unless Lender releases Borrower in writing.

By signing below the Mortgagor accepts and agrees to the terms and conditions of the Tax Exempt Financing Rider to the Security Instrument.

Signature of Mortgagor

Signature of Mortgagor

EXHIBIT D

Servicer Loan # _____

Dakota County Community Development Agency (the "Issuer")
Single Family Mortgage Revenue Bond Programs

NOTICES TO BUYERS

NOTICE OF POTENTIAL RECAPTURE

This mortgage loan is funded from the proceeds of a tax-exempt mortgage revenue bond of the Issuer, therefore, the Mortgagor(s) is(are) receiving the benefit of a lower interest rate than is customarily charged on other mortgage loans. If the Mortgagor(s) sell or otherwise dispose of the residence during the next 9 years, this benefit may be "recaptured". Such recapture is accomplished by an increase in the Mortgagor(s) federal income tax for the year in which the residence is sold or disposed. This recapture only applies if there is a gain resulting from the sale or disposition of the residence and the total annual household income increases above specified levels. You may wish to consult a tax advisor or the Internal Revenue Service at the time of sale or disposition of the residence to determine the amount, if any, of the recapture tax. Following loan closing, you will be provided additional information that will be needed to calculate the maximum recapture tax liability at the time you sell or dispose of the residence.

NOTICE TO BUYERS OF SOME CONDITIONS OF SALE, ASSUMPTION AND RENTAL OF THE PROPERTY

Your home is being financed with a mortgage made available with the assistance of the Issuer. This mortgage is made at an interest rate below what is usually being charged. Because of this, your mortgage provides that you cannot rent your home without the Servicer's prior written consent (which consent can only be given in very limited, extreme circumstances) or sell your home to a person ineligible for assistance from the Issuer, unless you pay your loan in full.

In order for the loan to be assumed, you must sell your home to a person eligible for assistance from the Issuer, otherwise, you must pay your loan in full or the Issuer may demand immediate full repayment of the loan. This could result in foreclosure of your mortgage and repossession of the property. In addition, if you rent the property or committed fraud or intentionally misrepresented yourself when you applied for the loan, the Lender may foreclose your mortgage and repossess the property. If the Lender takes your home through a foreclosure of the mortgage because of these reasons, HUD, FHA, VA, the Servicer and/or the Issuer (as applicable) will not be able to help you.

In order for the mortgage to be assumed, you must sell your home at or below the federally-designated maximum sales price in effect when you sell your home. (Federal law allows you to purchase a newly constructed home at the program newly constructed home maximum acquisition price but requires you to sell the property at the existing home maximum acquisition price in effect at the time of sale. There may be significant differences between the two.)

If the money received from the foreclosure sale is not enough to pay the remaining amount of money you owe on the loan, the Servicer may obtain a deficiency judgment against you (a court ruling that you must pay whatever money is still owed on the loan after the foreclosure sale). Such judgment will be taken over by HUD, VA, or a private mortgage insurer (as applicable). If the Servicer files an insurance claim against HUD, VA, or the private mortgage insurer (as applicable) because of the foreclosure, HUD, VA, or the private mortgage insurer (as applicable) may then bring an action against you to collect the judgment.

COMPLETED AT APPLICATION; ORIGINAL IN COMPLIANCE FILE; COPIES: ONE TO MORTGAGOR AND ONE TO LENDER; ATTACH RECAPTURE BROCHURE TO MORTGAGOR'S COPY - Page 1 of 2

DISCLOSURE OF MORTGAGOR INFORMATION

The Mortgagor(s) hereby consent and agree that all information furnished by the Mortgagor(s) to the participating Lender, the Servicer, the Administrator, the Issuer, including but not limited to, non public personal and financial information (the "Information"), in connection with the application for mortgage loan(s) under this program, may be disclosed to any person or other third parties in connection with the processing of the Mortgagor(s) loan application, verification of information concerning the loan or the Mortgagor(s), and for any other purpose in furtherance of or connected with the Issuer's program. Mortgagor(s) hereby irrevocably waive any rights to a privacy notice, confidentiality, or to any "opt out" procedures of the participating Lender, the Servicer/Administrator or the Issuer, under all applicable privacy laws, including but not limited to the Gramm-Leach-Bliley Act of 1999 (the "GLB Act") and related rules (12 CFR 40.1 et seq.), as amended from time to time. Mortgagor(s) understand and acknowledge that the participating Lender, the Servicer, the Administrator, the Issuer and the third parties to whom said Information may be disclosed may not be under any obligation to keep the Information secure or confidential. Mortgagor(s) hereby agree to hold the participating Lender, the Servicer, the Administrator, the Issuer, and their respective agents, employees, and attorneys, harmless from any liability or responsibility of any kind whatsoever in connection with the receipt and use of the Mortgagor(s) Information, including, but not limited to, the submission of Mortgagor(s) Information to third parties.

BORROWER AUTHORIZATION FOR COUNSELING

The Mortgagor(s) consent and agree that if they fail to make any monthly mortgage payment as agreed that the Servicer may refer them to a third-party counseling organization or a mortgage insurer that will provide advice about finding ways to meet the mortgage obligation. The Mortgagor(s) authorize the Servicer to release certain information related to the Servicer's own experience with them to such third-party counseling organization or mortgage insurer, and request that the counseling party contact them.

The Mortgagor(s) hereby authorize the third-party counseling organization or mortgage insurer to make a recommendation about appropriate action to take with regard to their mortgage loan, which may assist the Servicer in determining whether to restructure the loan or to offer other extraordinary services that could preserve their long-term home ownership

Date _____

SIGNATURE OF MORTGAGOR

SIGNATURE OF COMORTGAGOR

COMPLETED AT APPLICATION; ORIGINAL IN COMPLIANCE FILE; COPIES: ONE TO MORTGAGOR AND ONE TO LENDER; ATTACH RECAPTURE BROCHURE TO MORTGAGOR'S COPY - Page 2 of 2

EXHIBIT E

Dakota County Community Development Agency (the "Issuer")
Single Family Mortgage Revenue Bond Programs

CERTIFICATE OF COMPLIANCE

Re: Lender _____
Mortgagor _____
Property Address _____

Loan Amount \$ _____
Pool No. _____

The undersigned hereby states that:

1. I am an authorized employee of U.S. Bank National Association (the "Compliance Agent"), charged with responsibility of performing the duties of said corporation as Compliance Agent for the 2009 MRB Program of the Dakota County Community Development Agency (the "Issuer").

2. I have examined each Mortgage Loan in the Pool represented by the Certificate, including, but not limited to, the applicable Affidavit of Mortgagor, Affidavit and Certification of Seller, the Reaffirmation of Mortgagor and Loan Closing Certificate of Lender. The Mortgage Loan has been submitted for Purchase under the Issuer's Series 2009 MRB Program (the "Program").

3. No facts have come to my attention which would cause me to disbelieve or doubt the truth of each of such Affidavits or of any portion or portions thereof or of any other documents referenced in Paragraph 2 above.

4. None of the disclosures contained in the Compliance Package are inconsistent or conflict with the requirements of the Origination, Sale and Servicing Agreement with Lender.

5. The Compliance Package has been reviewed in accordance with the requirements of the Origination, Sale and Servicing Agreement, dated as of December 1, 2009, among the Servicer/Administrator, the Lenders and the Issuer.

In Witness Whereof, I have hereunto set my hand this ____ day of _____, 20__.

(Name)

(Title)

EXHIBIT F

SERVICER/ADMINISTRATOR'S CERTIFICATE
Dakota County Community Development Agency (the "Issuer")
Single Family Mortgage Revenue Bond Programs

The undersigned officer of U.S. Bank National Association which is acting as Servicer/Administrator (the "*Servicer/Administrator*") under the Dakota County Community Development Agency 2009 MRB Program, does hereby make and execute this certificate pursuant to Section 4.11 or Section 4.12 of the Origination, Sale and Servicing Agreement, dated as of December 1, 2009 (the "*Agreement*"), among the Dakota County Community Development Agency (the "*Issuer*"), the mortgage lending institutions named therein and the Servicer/Administrator, and the Indenture of Trust, dated as of December 1, 2009 (the "*Indenture*"), between the Issuer and U.S. Bank National Association, as trustee (the "*Trustee*"). All capitalized terms used herein and not otherwise defined herein shall have the respective meanings assigned in the Agreement or the Indenture.

The Servicer/Administrator will submit to the Trustee a [GNMA/ Freddie Mac/ Fannie Mae Certificate] (the "*Certificate*") for purchase pursuant to the Agreement and the Indenture on, _____ (the "*Certificate Acquisition Date*"). The undersigned hereby certifies, on behalf of the Servicer/Administrator, that the following information concerning such Certificate and the Mortgage Loans forming the Pool represented by such Certificate is true and correct:

1. The applicable Certificate Purchase Price is \$_____, which is computed as follows:

(a) \$_____ (100.5% of the _____ principal amount thereof);

(b) less \$_____ (the applicable Servicing Acquisition Fee pursuant to Section 6.14 of the Agreement);

(c) plus \$_____ (representing accrued interest to the Certificate Acquisition Date).

The aggregate principal amount of VA Loans in the Pool backing the Certificate is \$_____, and the amount payable to the Servicer/Administrator by the Issuer pursuant to Section 6.14 of the Agreements, is \$_____.

2. The Servicer/Administrator hereby requests payment of the Certificate Purchase Price against delivery by the Servicer/Administrator of the subject Certificate. In connection therewith, the undersigned hereby certifies, on behalf of the Servicer/Administrator, that:

3. The Certificate has been duly authorized, executed and delivered by the issuer thereof and constitutes a valid and binding obligation enforceable in accordance with its terms.

4. After reasonable review as set forth in the Agreement, the Servicer/Administrator believes that each Mortgage Loan in the Pool represented by the Certificate satisfies the requirements of the Agreement.

5. The Certificate conforms to the requirements of the Agreement.

6. The amount of the purchase price of the [GNMA/ Freddie Mac/ Fannie Mae] Certificate allocated to Special Low-Income Mortgage Loans in the pool backing such Certificate is \$_____ and the amount of the purchase price of such Certificate allocated to Mortgage Loans which are not Special Low-Income Mortgage Loans in the pool backing such Certificate is \$_____.

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of _____,
_____.

U.S. BANK NATIONAL ASSOCIATION, as
Servicer/Administrator

By _____
Title _____

EXHIBIT G

Single Family Mortgage Revenue Bonds
(Mortgage-Backed Securities Program)
Series 2009

NOTICE OF SUBSIDY RECAPTURE

(Note: This form is subject to change upon any change in HUD Median Income)

Use this form for Loans other than Targeted Area Loans

THIS NOTICE CONTAINS INFORMATION ABOUT POSSIBLE FUTURE TAX LIABILITY. THE MORTGAGOR IS ADVISED TO SEEK FEDERAL INCOME TAX ADVICE AT THE TIME THE HOME IS SOLD OR DISPOSED OF. THE RECAPTURE TAX ONLY APPLIES TO MORTGAGE LOANS CLOSED AFTER DECEMBER 31, 1990.

Your mortgage Loan has been financed with the proceeds of a tax-exempt qualified mortgage bond. As a result, pursuant to Section 143(m) of the Internal Revenue Code of 1986 (the "Code"), you may, at the time of resale by you of the residence financed by the Mortgage Loan, be subject to a special "recapture tax" for federal income tax purposes. You should consult your tax advisor at the time of resale by you of the residence to determine the amount, if any, of such "recapture tax".

A. Introduction

1. General When you sell your home you may have to pay recapture tax as calculated below. The recapture tax may also apply if you dispose of your home in some other way. Any references in this notice to the "sale" of your home also include other ways of disposing of your home. For instance, you may owe the recapture tax if you give your home to a relative.

2. Exceptions In the following situations, no recapture tax is due and you do not need to do the calculations:

- a. You dispose of your home later than nine years after you close your mortgage loan;
- b. Your home is disposed of as a result of your death;
- c. You transfer your home either to your spouse or to your former spouse incident to divorce and you gain or loss included in your income under section 1041 of the Internal Revenue Code; or
- d. You dispose of your home at a loss.

B. Maximum Recapture Tax

The maximum recapture tax that you may be required to pay as an addition to your federal income tax is \$_____. This amount is 6.25% of the highest principal amount of your mortgage loan and is your federally subsidized amount with respect to the loan.

C. Actual Recapture Tax

The actual recapture tax, if any, can only be determined when you sell your home, and is lesser of (1) 50% of your gain on the sale of your home, regardless of whether you have to include that gain in your income for federal income tax purposes, or (2) your recapture amount determined by multiplying the following three numbers:

- (i) \$_____ (the maximum recapture tax, as described in paragraph B above).
- (ii) The holding period percentage, as listed in Column 1 in the Table, and
- (iii) The income percentage, as described in paragraph D below.

D. Income Percentage

You calculate the income percentage as follows:

(i) Subtract the applicable adjusted qualifying income in the taxable year in which you sell your home, as listed in Column 2 of the Table, from your modified adjusted gross income in the taxable year in which you sell your home.

Your modified gross income means your adjusted gross income shown on your federal income tax return for the taxable year in which you sell your home, with the following two adjustments: (a) your adjusted gross income must be increased by the amount of any interest that you receive or accrue in the taxable year from tax-exempt bonds that is excluded from your gross income (under section 103 of the Internal Revenue Code); and (b) your adjusted gross income must be decreased by the amount of any gain included in your gross income by reason of the sale of your home.

(ii) If the amount calculated in (i) above is zero or less, you owe no recapture tax and do not need to make any more calculations. If it is \$5,000 or more, your income percentage is 100%. If it is greater than zero but less than \$5,000, it must be divided by \$5,000. This fraction, expressed as a percentage, represents your income percentage. For example, if the fraction is \$1,000/\$5,000, your income percentage is 20%.

E. Limitations and Special Rules on Recapture

1. If you give away your home (other than to your spouse or ex-spouse incident to divorce), you must determine your actual recapture tax as if you had sold your home for its fair market value.
2. If your home is destroyed by fire, storm, flood, or other casualty, there generally is no recapture tax if, within two years, you purchase additional property for use as your principal residence on the site of the home financed with your original subsidized mortgage loan.
3. In general, except as provided in future regulations, if two or more persons own a home and are jointly liable for the subsidized mortgage loan, the actual recapture tax is determined separately for them based on their interests in the home.
4. If you repay your loan in full during the nine year recapture period and you sell your home during this period, your holding period percentage may be reduced under the special rule in section 143(m)(4)(C)(ii) of the Internal Revenue Code.

5. Other special rules may apply in particular circumstances. You may wish to consult with a tax advisor or the local office of the Internal Revenue Service when you sell or otherwise dispose of your home to determine the amount, if any, of your actual recapture tax. See section 143(m) of the Internal Revenue Code generally.

I acknowledge receipt of a duplicate of the foregoing Notice on _____, _____.

Mortgagor

Mortgagor

The following information will assist you in determining the amount, if any, of "recapture tax":

1. Name of Mortgagor(s): _____
2. Date of Closing (settlement) of Mortgage Loan: _____
3. Location of Residence: _____
4. Principal amount of Mortgage Loan on date of Closing: \$ _____
5. Federally-Subsidized Amount pursuant to Section 143(m) (B) of the code: 6.25% of the amount stated in #4 above = \$ _____
6. Median Family Income in the statistical area where residence is located as of date of Closing of Mortgage Loan: \$ _____ (HUD Median Income applicable as of Mortgage Loan Closing)

Date that you sell your home	(Column 1) Holding Period Percentage	(Column 2) Adjusted Qualifying Income Number of Family Members Living in Your Home at the Time of Sale	
		2 or less	3 or more
Before the first Anniversary of closing (see note below)	20%	\$83,900	\$96,485
On or after the first anniversary of closing, but before the second anniversary of closing	40%	\$88,095	\$101,309
On or after the second anniversary of closing, but before the third anniversary of closing	60%	\$92,499	\$106,374
On or after the third anniversary of closing, but before the fourth anniversary of closing	80%	\$97,124	\$111,693
On or after the fourth anniversary of closing, but before the fifth anniversary of closing	100%	\$101,980	\$117,278
On or after the fifth anniversary of closing, but before the sixth anniversary of closing	80%	\$107,080	\$123,142
On or after the sixth anniversary of closing, but before the seventh anniversary of closing	60%	\$112,434	\$129,299
On or after the seventh anniversary of closing, but before the eighth anniversary of closing	40%	\$118,055	\$135,764
On or after the eighth anniversary of closing, but before the ninth anniversary of closing	20%	\$123,958	\$142,552

Note: Closing means the closing date for your loan.

Notice of Potential Recapture, Page 2 of 2, Original to U.S. Bank, Copies to Lender, Borrower

Exhibit H
Dakota County Community Development Agency (the "Issuer")
Single Family Mortgage Revenue Bond Programs

Loan # _____

**Assumption and Release Agreement
(Release of Obligor)**

THIS AGREEMENT, made and entered into this _____ day of _____, _____, by, between and between U.S. Bank National Association (the "Servicer"), as the Servicer under that certain Origination, Sale and Servicing Agreement dated as of December 1, 2009 by and between the Servicer, the Dakota County Community Development Agency, the Issuer identified therein, U.S. Bank National Association, as the Trustee under an Indenture of Trust dated as of December 1, 2009, and _____, _____, (the "Lender"), _____ (hereinafter referred to as the "Assumptor") and _____ (hereinafter referred to as the "Obligor").

WITNESSETH THAT:

WHEREAS, the Obligor has heretofore executed and delivered for valuable consideration that certain Promissory Note in the sum of _____ Dollars (\$ _____), dated _____, _____, which Note is secured by a Mortgagee of even date therewith, recorded in the office of the _____ in and for _____ County, Minnesota in Book _____ of _____, page _____ as Document No. _____; and

WHEREAS, the aforesaid Note and Mortgage are currently held by the Servicer; and

WHEREAS, the Assumptor is purchasing the property described in said Mortgage from the Obligor and is willing to assume the payment for obligations represented by said Note and Mortgage; and

WHEREAS, the Obligor is to be released from all liability on account of the aforesaid Note and Mortgage:

NOW, THEREFORE, in consideration of the agreement and undertaking of the Assumptor, assuming and agreeing to pay the Note and perform the covenants and obligations of said Mortgage securing said Note, as said Note and Mortgage are hereinafter modified, the Servicer hereby waives and relinquishes its right under the Mortgage to declare all sums secured by the Mortgage to be immediately due and payable by reason of the sale and transfer by the Obligor to the Assumptor. It is agreed and understood that this waiver and relinquishment applies only to said sale and not to any future sales and transfers.

IT IS FURTHER UNDERSTOOD AND AGREED that the Servicer hereby releases the Obligor from any further obligation on account of the aforesaid Note and Mortgage.

THE ASSUMPTOR HEREBY ACKNOWLEDGES that the Note and Mortgage hereby assumed evidence indebtedness financed with the assistance of the Issuer through its program of making or purchasing residential mortgage loans for owner-occupied residences at an interest rate below the usual market rate, and requiring restrictions on the assumption of the Note and Mortgage and release of the original Obligor. The Assumptor acknowledges that he/she has executed all affidavits required by the Servicer to be executed and qualifies to assume the Mortgage in that he/she:

(1) intends to occupy the residence financed by the Mortgage as his/her principal residence within sixty (60) days after final closing, and does not expect to use more than fifteen percent (15%) of the total area of the residence financed by the Mortgage in his/her trade or business or as an investment property, including child care services on a regular basis for compensation;

(2) to his/her knowledge the purchase price of the residence financed by the Mortgage does not exceed the maximum acquisition cost at the date of this assumption permitted under the program of the Issuer; and

(3) the Assumptor has a Household Income that does not exceed the Household Income Limit at the date of this assumption under the program of the Issuer.

Assumption and Release Agreement, Page 1 of 2, Original in Compliance File, Copies: One to Mortgagor, One to Lender

THE ASSUMPTOR HEREBY FURTHER AGREES to pay the indebtedness evidenced by said Note as so modified and perform each and every obligation contained therein or in any instrument at any time given to evidence or secure said indebtedness, or any part thereof, and also to comply with any covenant, condition or obligation contained in said Mortgage.

THE SERVICER, OBLIGOR AND ASSUMPTOR hereby agree that the unpaid principal balance on the said Note as of _____, _____, is _____ Dollars (\$_____).

ALL PARTIES TO THIS AGREEMENT specifically undertake and agree that nothing in this Agreement shall be understood or construed to amount to a satisfaction or release in whole or in part of said Note or Mortgage, or a release of any property encumbered by the Mortgage, nor to impair the right of sale provided for under the terms of the Mortgage or other remedy provided by law for the foreclosure of mortgages by action or otherwise.

THE ASSUMPTOR UNDERSTANDS THAT UNDER THE TERMS OF THE MORTGAGE, AS APPLIED TO THE ASSUMPTOR, FAILURE TO CONTINUE TO OCCUPY THE RESIDENCE AS THE ASSUMPTOR'S PRIMARY OR PRINCIPAL PLACE OF RESIDENCE MAY RESULT IN (1) ACCELERATION OF THE NOTE AND FORECLOSURE OF THE MORTGAGE, AND (2) THE INABILITY TO DEDUCT INTEREST PAID ON THE NOTE. THE ASSUMPTOR FURTHER UNDERSTANDS THAT THE NOTE MAY BE ACCELERATED AND THE MORTGAGE FORECLOSED IF THE ASSUMPTOR HAS MISREPRESENTED FACTS RELATING TO ITS INCOME OR FORMER OWNERSHIP OF A PRINCIPAL RESIDENCE.

IT IS UNDERSTOOD AND AGREED that all terms and/or conditions of the above-mentioned Note and Mortgage, including modifications thereof, if any, shall remain in full force and effect without change, except as hereinabove otherwise specifically provided. The term Mortgage, as used herein, shall refer to any mortgage, deed of trust, mortgage deed, or any similar security instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

Obligor

Assumptor

Obligor

Assumptor

(SEAL)

U.S. BANK NATIONAL ASSOCIATION
as Servicer

Reserved Amount \$ _____

By _____

Its _____

ATTEST:

(Add and execute notary blocks)

Assumption and Release Agreement, Page 2 of 2, Original in Compliance File, Copies: One to Mortgagor, One to Lender

Dakota County Community Development Agency (the "Issuer")
Single Family Mortgage Revenue Bond Programs

**Assumption Agreement
(No Release of Obligor)**

THIS AGREEMENT, made and entered into this _____ day of _____, _____ by, between and between U.S. Bank National Association (the "Servicer"), as the Servicer under that certain Origination, Sale and Servicing Agreement dated as of December 1, 2009, by and between the Servicer, the Issuer identified therein, U.S. Bank National Association, as the Trustee under an Indenture of Trust dated as of December 1, 2009, and _____ (the "Mortgage Lender"), _____ (hereinafter referred to as the "Assumtor") and _____ (hereinafter referred to as the "Obligor").

WITNESSETH THAT:

WHEREAS, the Obligor has heretofore executed and delivered for valuable consideration that certain Promissory Note in the sum of _____ Dollars (\$ _____), dated _____, _____, which Note is secured by a Mortgage of even date therewith, recorded in the office of the _____ in and for _____ County, Minnesota in Book _____ of page _____, as Document No. _____; and

WHEREAS, the aforesaid Note and Mortgage are currently held by the Servicer; and

WHEREAS, the Assumtor is purchasing the property described in said Mortgage from the Obligor and is willing to assume the payment for obligations represented by said Note and Mortgage; and

WHEREAS, the Obligor is not being released from all liability on account of the aforesaid Note and

NOW, THEREFORE, in consideration of the agreement and undertaking of the Assumtor, assuming and agreeing to pay the Note and perform the covenants and obligations of said Mortgage securing said Note, as said Note and Mortgage are hereinafter modified, the Servicer hereby waives and relinquishes its right under the Mortgage to declare all sums secured by the Mortgage to be immediately due and payable by reason of the sale and transfer by the Obligor to the Assumtor. It is agreed and understood that this waiver and relinquishment applies only to said sale and not to any future sales and transfers.

THE ASSUMPTOR HEREBY ACKNOWLEDGES that the Note and Mortgage hereby assumed evidence indebtedness financed with the assistance of the Issuer through their program of making or purchasing residential mortgage loans for owner-occupied residences at an interest rate below the usual market rate, and requiring restrictions on the assumption of the Note and Mortgage. The Assumtor acknowledges that he/she has executed all affidavits required by the Servicer to be executed and qualifies to assume the Mortgage in that he/she:

- (1) intends to occupy the residence financed by the Mortgage as his/her principal residence within sixty (60) days after final closing, and does not expect to use more than fifteen percent (15%) of the total area of the residence financed by the Mortgage in his/her trade or business or as an investment property, including child care services on a regular basis for compensation;
- (2) to his/her knowledge the purchase price of the residence financed by the Mortgage does not exceed the maximum acquisition cost at the date of this assumption permitted under the program of the Issuer; and
- (3) the Assumtor has a Household Income that does not exceed the Household Income Limit at the date of this assumption under the program of the Issuer.

THE ASSUMPTOR HEREBY FURTHER AGREES to pay the indebtedness evidenced by said Note as so modified and perform each and every obligation contained therein or in any instrument at any time given to evidence or secure said indebtedness, or any part thereof, and also to comply with any covenant, condition or obligation contained in said Mortgage. This paragraph shall not be construed to release the obligor of liability on account of the Note and Mortgage.

THE SERVICER, OBLIGOR AND ASSUMPTOR hereby agree that the unpaid principal balance on the said Note as of _____, _____, is _____ Dollars (\$_____).

ALL PARTIES TO THIS AGREEMENT specifically undertake and agree that nothing in this Agreement shall be understood or construed to amount to a satisfaction or release in whole or in part of said Note or Mortgage, or a release of any property encumbered by the Mortgage, nor to impair the right of sale provided for under the terms of the Mortgage or other remedy provided by law for the foreclosure of mortgages by action or otherwise, nor to release the Obligor from liability on account of the Note and Mortgage.

THE ASSUMPTOR UNDERSTANDS THAT UNDER THE TERMS OF THE MORTGAGE, AS APPLIED TO THE ASSUMPTOR, FAILURE TO CONTINUE TO OCCUPY THE RESIDENCE AS THE ASSUMPTOR'S PRIMARY OR PRINCIPAL PLACE OF RESIDENCE MAY RESULT IN (1) ACCELERATION OF THE NOTE AND FORECLOSURE OF THE MORTGAGE, AND (2) THE INABILITY TO DEDUCT INTEREST PAID ON THE NOTE. THE ASSUMPTOR FURTHER UNDERSTANDS THAT THE NOTE MAY BE ACCELERATED AND THE MORTGAGE FORECLOSED IF THE ASSUMPTOR HAS MISREPRESENTED FACTS RELATING TO ITS INCOME OR FORMER OWNERSHIP OF A PRINCIPAL RESIDENCE.

IT IS UNDERSTOOD AND AGREED that all terms and/or conditions of the above-mentioned Note and Mortgage, including modifications thereof, if any, shall remain in full force and effect without change, except as hereinabove otherwise specifically provided. The term Mortgage, as used herein, shall refer to any mortgage, deed of trust, mortgage deed, or any similar security instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

Obligor

Assumptor

Obligor

Assumptor

(SEAL)

U.S. BANK NATIONAL ASSOCIATION
as Servicer

Reserved Amount \$ _____

By _____
Its _____

ATTEST:

(Add and execute notary blocks)

Dakota County Community Development Agency (the "Issuer")
Single Family Mortgage Revenue Bond Programs

Down Payment Assistance Loan Note

Date: _____

FOR VALUE RECEIVED, the undersigned _____ (the "Borrower," whether one or more) jointly and severally agrees(s) to pay to the order of Dakota County Community Development Agency, whose address is 1228 Town Centre Drive, Eagan, MN 55123 (the "Lender"), Dollars (\$ _____), without interest, on the Maturity Date.

1. Definitions. As used in this Note, the following terms have the following respective meanings:

Down Payment Assistance Loan Mortgage. The mortgage of even date herewith between the Lender and the Borrower securing payment of this Note, as from time to time amended.

Event of Default. As defined in Section 3.1 hereof.

First Mortgage. Any mortgage of the Mortgaged Real Estate the lien of which has priority over the Down Payment Assistance Loan Mortgage.

First Note. The promissory note secured by the First Mortgage.

Maturity Date. The earliest to occur of:

- (i) The adjudication in bankruptcy of any owner of the Property;
- (ii) A declaration by the Lender pursuant to the terms of the First Note that the entire unpaid balance of the First Note is due and payable;
- (iii) Any use of the Property other than as a single family residence or duplex, constituting the primary residence of the Borrower;
- (iv) A written declaration by the Borrower pursuant to the terms hereof that it desires to prepay this Note;
- (v) A Transfer;
- (vi) Foreclosure sale pursuant to the First Mortgage;
- (vii) Transfer of the Property to the holder of the First Mortgage or its designee;
- (viii) Satisfaction of the First Mortgage; and
- (ix) _____ (30 years from the date hereof).

Note. This Down Payment Assistance Loan Note, as from time to time amended.

Property. The real estate that is encumbered by the Down Payment Assistance Loan Mortgage at any time.

Transfer. A sale or transfer of all or any part of the Property, or an interest therein, whether by lease, deed or contract for deed or otherwise, whether for consideration or by gift or in the event of death or otherwise, and whether voluntarily, involuntarily or by operation of law; provided, however, (a) if the Borrower owns the Property as co-tenants, a transfer of the Property or any interest therein, from one co-tenant to another co-tenant whether by reason of death or otherwise, shall not be considered a Transfer, (b) a taking by eminent domain shall not be considered a Transfer unless it is a total taking in the sense that payment is made for the full value of the Property, (c) the creation of a lien or encumbrance subordinate to the Down Payment Assistance Loan Mortgage shall not be considered a Transfer, (d) the creation of a purchase money security interest for household appliances shall not be considered a Transfer, and (e) a lease to a tenant if the Property is a duplex, provided the Borrower occupies the Property, shall not be considered a Transfer.

2. Prepayment; Payment.

- 2.1 This Note may be prepaid in full or in part at any time without penalty.
- 2.2 The remaining unpaid principal balance of this Note shall be paid on the Maturity Date.

3. Default.

3.1 Any event or thing which, upon the giving of notice as required by the Down Payment Assistance Loan Mortgage, permits acceleration of the indebtedness secured by the Down Payment Assistance Loan Mortgage, shall constitute an Event of Default hereunder.

3.2 If an Event of Default shall occur, the Lender may declare the entire unpaid principal balance of this Note immediately due and payable without notice. Failure by the Lender to make that declaration by reason of an Event of Default shall not waive its right to make such a declaration upon the subsequent occurrence of the same or any other Event of Default.

4. Nonrecourse. Upon the occurrence of an Event of Default, the Lender's sole recourse for payment of this Note shall be to the Property and other security provided for in this Note, and the Lender shall not be entitled to any deficiency after foreclosure of the Down Payment Assistance Loan Mortgage.

5. Subordination. This Note is subordinate to the First Note and the First Mortgage.

6. Miscellaneous.

6.1 This Note is secured by the Down Payment Assistance Loan Mortgage. All of the terms, covenants, conditions, provisions and agreements of the Down Payment Assistance Loan Mortgage are hereby made a part of this instrument to the same extent and with the same force and effect as if fully set forth herein.

6.2 The Borrower and all others who may become liable for all or any part of this obligation agree hereby to be jointly and severally bound and jointly and severally waive demand, protest, notice of nonpayment and any and all lack of diligence or delays in collection or enforcement hereof, and specifically consent to any extension of time, or release of any party liable for this obligation, including any maker, or acceptance of other security therefor. Any such extension or release may be made without notice to said party and without in any way affecting the liability of such party.

6.3 If any payment due under this Note is not paid when due, and this Note is placed in the hands of any attorney or attorneys, for collection or foreclosure of the Down Payment Assistance Loan Mortgage or enforcement of any other security instrument securing payment hereof, the Down Payment Assistance Loan Mortgage promises to pay, in addition to the amount due hereon, the reasonable costs and expenses of foreclosure and collection (including attorneys' fees), and all such costs and expenses shall be secured by the Down Payment Assistance Loan Mortgage.

6.4 No failure or delay by the Lender to exercise any right or remedy under this Note shall waive such right or remedy.

6.5 This Note is made and delivered in Minnesota, and accordingly, the clauses and provisions of this Note and the rights, payments, charges, indebtedness and other items hereby secured shall be construed and enforced according to the laws of the State of Minnesota.

IN WITNESS WHEREOF, the Borrower has caused this Note to be executed as of the day and year first above written.

[FOR RECORDING INFORMATION]

Return Recorded Document to:

**Deborah Haugh
Dakota County Community
Development Agency
1228 Town Centre Drive
Eagan, MN 55123**

Dakota County Community Development Agency (the "Issuer")
Single Family Mortgage Revenue Bond Programs

Down Payment Assistance Loan Mortgage

THIS MORTGAGE is given on _____, _____. The Mortgagor is _____ (herein "Borrower"). This Mortgage is given to Dakota County Community Development Agency, which is a public body corporate and politic organized and existing under the laws of Minnesota, and whose address is 1228 Town Centre Drive, Eagan, MN 55123 (herein "Lender"). Borrower owes Lender the principal sum of _____ Dollars (U.S. \$_____). This debt is evidenced by Borrower's note dated the same date as this Mortgage ("Note"), with the full debt, if not paid earlier, due and payable on the Maturity Date as defined in the Note, but in no event later than. This Mortgage secures to Lender (a) the repayment of the debt evidenced by the Note, and all renewals, extensions and modifications; (b) the payment of all other sums, with interest thereon, advanced in accordance herewith to protect the security of this Mortgage, and (c) the performance of the covenants and agreements of Borrower under this Mortgage and the Note. For this purpose, Borrower does hereby grant and convey to Lender, with power of sale, the following described property located in the City of _____, County of Dakota, State of Minnesota:

with the following address: _____ (herein "Property Address").

Together with all the improvements now or hereafter erected on the property, and all easements, rights, appurtenances, rents, royalties, mineral, oil and gas rights and profits, water, water rights, and stock, and all fixtures now or hereafter a part of the property.

All replacements and additions shall also be covered by this Mortgage. All of the foregoing is referred to in this Mortgage as the "Property."

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

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

1. Payment of Principal Prepayment. Borrower shall promptly pay when due the principal of the debt evidenced by the Note, and any prepayment due under the Note.

2. Application of Payments. Unless applicable law provides otherwise, all payments received by Lender under paragraph 1 hereof shall be applied first to prepayment charges due under the Note; and second, to principal due.

3. Charges; Liens. Borrower shall pay all taxes, assessments, charges, fines and impositions attributable to the Property which may attain a priority over this Mortgage, and leasehold payments or ground rents, if any, Borrower shall pay these obligations by making payment, when due, directly to the person owed payment. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and receipts evidencing such payments.

Borrower shall promptly discharge any lien which has priority over this Mortgage unless Borrower: (a) agrees in writing to the payment of the obligation secured by such lien in a manner acceptable to Lender; (b) contests in good faith such lien by, or defends against enforcement of such lien in, legal proceedings which in the Lender's opinion operate to prevent the enforcement of the lien or forfeiture of any law of the Property; or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Mortgage. If Lender determines that any part of the Property is subject to a lien which may attain priority over this Mortgage, Lender may give Borrower a notice identifying the lien. Borrower shall satisfy the lien or take one or more of the actions set forth above within 10 days of the giving of notice.

4. Hazard Insurance. Borrower shall keep the improvements now existing or hereafter erected on the Property measured against loss by fire, hazards included within the term "extended coverage," and such other hazards for which Lender requires insurance. This insurance shall be maintained in the amounts and for the periods the Lender requires. The insurance carrier providing the insurance shall be chosen by Borrower subject to Lender's approval which shall not be unreasonably withheld.

All insurance policies and renewals shall be acceptable to Lender and shall include a standard mortgage clause. Lender shall have the right to hold the policies and renewals. If Lender requires, Borrower shall promptly give to Lender all receipts of paid premiums and renewal notices. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged if the restoration or repair is economically feasible and the Lender's security is not lessened. If such restoration or repair is not economically feasible or Lender's security would be lessened, the insurance proceeds shall be applied to the sums secured by this Mortgage, whether due or not, with any excess paid to Borrower. If Borrower abandons the Property or does not answer within 30 days a notice from Lender that the insurance carrier has offered to settle a claim, then Lender may collect the insurance proceeds. Lender may use the proceeds to repair or restore the Property or to pay sums secured by this Mortgage, whether or not then due. The 30-day period will begin when the notice is given.

Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the payment referred to in paragraph 1 or change the amount of the payments. If under paragraph 17 the Property is acquired by Lender, Borrower's right to any insurance policies and proceeds resulting from damage to the Property prior to the acquisition shall pass to Lender to the extent of the sums secured by this Mortgage immediately prior to the acquisition.

If under paragraph 18 hereof the Property is acquired by Lender, all right, title and interest of Borrower in and to any insurance policies and in and to the proceeds thereof resulting from damage to the Property prior to the sale or acquisition shall pass to Lender to the extent of the sums secured by this Mortgage immediately prior to such sale or acquisition.

The right of Lender to insurance proceeds is subject to the rights therein of the Mortgagee under the First Mortgage.

5. Preservation and Maintenance of Property; Leaseholds. Borrower shall not destroy, damage or substantially change the Property, allow the Property to deteriorate or commit waste. If this Mortgage is on a leasehold, Borrower shall comply with the provisions of the lease, and if Borrower acquires fee title to the Property, the leasehold and fee title shall not merge unless Lender agrees to the merger in writing.

6. Protection of Lender's Security. If Borrower fails to perform the covenants and agreements contained in this Mortgage, or there is a legal proceeding that may significantly affect Lender's interest in the Property (such as a proceeding in bankruptcy, probate, for condemnation or to enforce laws or regulations), then Lender may do and pay for whatever is necessary to protect the value of the Property and Lender's rights in the Property. Lender's actions may include paying any sums secured by a lien which has priority over this Mortgage, appearing in court, paying reasonable attorneys' fees and entering on the Property to make repairs. Although Lender may take action under this paragraph 6, Lender does not have to do so.

Any amounts disbursed by Lender under this paragraph 6 shall become additional debt of Borrower secured by this Mortgage. Unless Borrower and Lender agree to other terms of payment, these amounts shall bear interest from the date of disbursement at the highest rate permissible under applicable law, and shall be payable with interest, upon notice from Lender to Borrower requesting payment.

7. Inspection. Lender may make or cause to be made reasonable entries upon and inspections of the Property. Lender shall give Borrower notice at the time of or prior to any inspection specifying reasonable cause for the inspection.

8. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of any part of the Property or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender.

In the event of a total taking of the Property, the proceeds shall be applied to the sums secured by this Mortgage, whether or not then due, with any excess paid to Borrower. In the event of a partial taking of the Property, unless Borrower and Lender otherwise agree in writing, the sums secured by this Mortgage shall be reduced by the amount of the proceeds multiplied by the following fraction: (a) the total amount of the sums secured by this Mortgage immediately before the taking, divided by (b) the fair market value of the Property immediately before the taking. Any balance shall be paid to Borrower.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date the notice is given, Lender is authorized to collect and apply the proceeds, at its option, either to restoration or repair of the Property or to the sums secured by this Mortgage, whether or not then due.

Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the payments referred to in paragraph 1 hereof or change the amount of such payments.

The right of the Lender to condemnation proceeds is subject to the rights of the Mortgagee under the First Mortgage.

9. Borrower Not Released; Forbearance by Lender Not a Waiver. Extension of the time for payment of the sums secured by this Mortgage granted by Lender to any successor in interest of Borrower shall not operate to release the liability of the original Borrower and Borrower's successors in interest. Lender shall not be required to commence proceedings against any successor or refuse to extend time for payment of the sums secured by this Mortgage by reason of any demand made by the original Borrower or Borrower's successors in interest. Any forbearance by Lender in exercising any right or shall not be a waiver of or preclude the exercise of any such right or remedy.

10. Successors and Assigns Bound; Joint and Several Liability; Co-signors. The covenants and agreements herein contained shall bind and benefit the successors and assigns of Lender and Borrower. Borrower's covenants and agreements shall be joint and several. Any Borrower who co-signs this Mortgage but does not execute the Note: (a) is co-signing this Mortgage only to mortgage, grant and convey that Borrower's interest in the Property under the terms of this Mortgage, (b) is not personally obligated to pay the sums secured by this Mortgage; and (c) agrees that Lender and any other Borrower may agree to extend, modify, forbear or make any accommodations with regard to the terms of this Mortgage or the Note without that Borrower's consent.

11. Loan Charges. If the loan secured by this Mortgage is subject to a law which sets maximum loan charges, and that law is finally interpreted so that the interest or other loan charges collected or to be collected in connection with the loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected from Borrower which exceeded permitted limits will be refunded to Borrower. Lender may choose to make this refund by reducing the principal owed under the Note or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment without any prepayment charge under the Note.

12. Legislation Affecting Lender's Rights. If enactment or expiration of applicable laws has the effect of rendering any provision of the Note or this Mortgage unenforceable according to its terms, Lender, at its option, may require immediate payment in full of all sums secured by this Mortgage and may invoke any remedies permitted by paragraph 18. If Lender exercises this option, Lender shall take the steps specified in the second paragraph of paragraph 16.

13. Notice. Any notice to Borrower provided for in this Mortgage shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the Property Address or any other address Borrower designates by notice to Lender. Any notice to Lender shall be given by first class mail to Lender's address stated herein or any other address Lender designates by notice to Borrower. Any notice provided for in this Mortgage shall be deemed to have been given to Borrower or Lender when given as provided in this paragraph.

14. Governing Law; Severability. This Mortgage 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 Mortgage or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Mortgage or the Note which can be given effect without that conflicting provision. To this end the provisions of this Mortgage and the Note are declared to be severable.

15. Borrower's Copy. Borrower shall be given one conformed copy of the Note and of this Mortgage.

16. Transfer of the Property. If all or any part of the Property or an interest therein whether by lease, deed or contract for deed or otherwise, whether for consideration or by gift or in the event of death or otherwise, and whether voluntarily, involuntarily or by operation of law, is sold or transferred, all sums secured by this Mortgage shall be immediately due and payable. Notwithstanding the foregoing, (a) if the Borrower owns the Property as co-tenants, a transfer of the Property or any interest therein from one co-tenant to another co-tenant shall not be considered a transfer; (b) a taking by eminent domain shall not be considered a transfer unless it is a total taking in the sense that payment is made for the full value of the Property; (c) the creation of a lien or encumbrance subordinate to this Mortgage shall not be considered a transfer; (d) the creation of a purchase money security interest for household appliances shall not be considered a transfer and (e) a lease to a tenant if the Property is a duplex, provided the Borrower occupies the Property, shall not be considered a transfer.

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 may pay all sums secured by this Mortgage. If Borrower fails to pay such sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Mortgage without further notice or demand on Borrower.

17. Borrower's Right to Reinstate. If Borrower meets certain conditions, Borrower shall have the right to have enforcement of this Mortgage discontinued at any time prior to the earlier of: (a) 5 days (or such other period as applicable law may specify for reinstatement) before the sale of the Property pursuant to any power of sale contained in this Mortgage; or (b) entry of judgment enforcing this Mortgage. Those conditions are that Borrower: (i) pays Lender all sums which then would be due under this Mortgage and the Note had no acceleration occurred, (ii) cures any default of any other covenants, or agreements; (iii) pays all expenses incurred in enforcing this Mortgage, including, but not limited to, reasonable attorneys' fees; and (iv) takes such action as Lender may reasonably require to assure that the lien of this Mortgage, Lender's rights in the Property and Borrower's obligation to pay the sums secured by this Mortgage shall continue unchanged. Upon reinstatement by Borrower, this Mortgage and the obligations secured hereby shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case acceleration under paragraph 12 or 16.

NONUNIFORM COVENANTS. Borrower and Lender further consent and agree as follows:

18. Acceleration; Remedies. Unless the "Maturity Date", as defined in the Note, has occurred, Lender shall give notice to Borrower prior to acceleration following Borrower's breach of any covenant or agreement in this Mortgage (but not prior to acceleration under paragraphs 12 and 16 unless applicable law provides otherwise). The notice shall specify: (a) the default; (b) the action required to cure the default, (c) a date, not less than 30 days from the date the notice is given to Borrower, by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Mortgage and the sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to bring a court action to assert the nonexistence of a default or any other defense of Borrower to acceleration and sale. If the breach is not cured on or before the date specified in the notice, or if the "Maturity Date" as defined in the Note has occurred, Lender at its option may require immediate payment in full of all sums secured by this Mortgage without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this paragraph 18, including, but not limited to, reasonable attorneys' fees. *Notwithstanding any other provision of this Mortgage, Lender may not foreclose this Mortgage or accept a deed-in-lieu of foreclosure unless the Lender has provided prior written notice to the mortgagee of the first mortgage described in paragraph 22 hereof.*

If Lender invokes the power of sale, Lender shall cause a copy of a notice of sale to be served upon any person in possession of the Property. Lender shall publish a notice of sale and the Property shall be sold at public auction in the manner prescribed by applicable law. Lender or its designee may purchase the Property at any sale. The proceeds of the sale shall be applied in the following order: (a) to all expenses of the sale, including, but not limited to, reasonable attorneys' fees; (b) to all sums secured by this Mortgage; and (c) any excess to the person or persons legally entitled thereto.

19. Lender in Possession. Upon acceleration under paragraph 18 or abandonment of the Property, and at any time prior to the expiration of any period of redemption following sale of the Property, Lender (in person, by agent or by judicially appointed receiver) shall be entitled to enter upon, take possession of and manage the Property and to collect the rents of the Property including those past due. Any rents collected by Lender or the receiver shall be applied first to payment of the costs of management of the Property and collection of rents, including, but not limited to, receiver's fees, premiums of receiver's bonds and reasonable attorneys' fees, and then to the sums secured by this Mortgage.

20. Release. Upon payment of all sums secured by this Mortgage, Lender shall discharge this Mortgage without charge to Borrower. Borrower shall pay any costs of recordation.

21. Waiver of Homestead. Borrower hereby waives all right of homestead exemption in the Property.

22. Subject to First Mortgage. This Mortgage is subject and subordinate to that certain mortgage lien created by a mortgage of even date herewith from Borrower to _____ in an original principal amount of \$_____ (the "First Mortgage").

23. Interest on Advances. The interest rate on advances made by Lender under paragraph 6 shall not exceed the maximum rate allowable by applicable law.

24. Nonrecourse. The obligation of the undersigned is nonrecourse, and Lender's sole recourse for payment of the Note shall be to the Property and other security provided for in the Note, and the Lender shall not be entitled to any deficiency after foreclosure of this Mortgage.

IN WITNESS WHEREOF, Borrower has executed this Mortgage.

Witnesses:

Borrower

Borrower

STATE OF MINNESOTA)
)ss.
COUNTY OF _____)

On this ____ day of _____, _____, before me appeared _____ to me personally known to be the person(s) described in and who executed the foregoing instrument and acknowledged that _____ the _____ executed the same as _____ free act and deed.

Notary Public

My Commission expires: _____

STATE OF MINNESOTA)
)ss.
COUNTY OF _____)

On this ____ day of _____, _____, before me appeared _____ to me personally known to be the person(s) described in and who executed the foregoing instrument and acknowledged that _____ the _____ executed the same as _____ free act and deed.

Notary Public

My Commission expires: _____

This instrument was prepared by _____ of _____, Minnesota.