

PENNSYLVANIA HOUSING FINANCE AGENCY
Homeownership Programs Division

MASTER
ORIGINATION AND SALE AGREEMENT

THIS MASTER ORIGINATION AND SALE AGREEMENT (the "Agreement"), between the lending institution executing this Agreement (the "Participant"), and the PENNSYLVANIA HOUSING FINANCE AGENCY (the "Agency"), a public corporation and government instrumentality of the Commonwealth of Pennsylvania organized pursuant to the Housing Finance Agency Law, (Act of 1959, Dec. 3, P.L. 1688) (35 P.S. Section 1680.101 *et seq.*) as it may be amended from time to time (the "Act").

WITNESSETH:

WHEREAS, the Agency is authorized by the Act, to finance owner-occupied single family dwelling units for low and moderate income families (the "Residences") as more specifically defined in Article I, by issuing its bonds and notes and other assets to acquire mortgage loans by purchasing same and by pledging, among other things, such mortgage loans as security for the payment of the principal of, and interest on any such bonds or notes and by entering into any agreements made in connection therewith; and

WHEREAS, the Agency either has issued or proposes to issue its bonds or notes and to use the proceeds therefrom to purchase certain mortgage loans to finance Residences (the "Mortgage Loans"), as more specifically defined in Article I; and

WHEREAS, said mortgage loans will be originated by the Participant pursuant to this Agreement, the Agency's Seller's Guide and any relevant Program Guidelines and purchased by the Agency.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements herein set forth, the Participant and the Agency each agree as follows:

ARTICLE I
Preliminary Provisions

Section 1.01. Definitions. All words and phrases defined in this Article I (except as herein otherwise expressly provided or unless the context otherwise requires) shall have the respective meanings specified in this Article I for all purposes of this Agreement. Certain terms used herein are defined or further explained in the Seller's Guide.

"**Act**" means the Housing Finance Agency Law (Act of 1959, Dec. 3 , P.L. 1688) (35 P.S. Section 1680.101 *et seq.*) as it may be amended from time to time.

"**Affidavit of Eligibility**" means the affidavit in the form prescribed from time to time by the Agency, executed by the Mortgagor to be submitted by Participant with each Mortgage Loan.

"**Agency**" means the Pennsylvania Housing Finance Agency, a public corporation and government instrumentality of the Commonwealth organized pursuant to the Act, or any successor to its duties under this Agreement.

"**Agreement**" means this Master Origination and Sale Agreement between the Participant and the Agency, and all amendments or supplements hereto and where appropriate, the Seller's Guide, any relevant Program Guidelines and all forms or reports prescribed by the Agency.

"**Appraisal**" means an appraisal of a Residence conducted in accordance with generally accepted standards by a Qualified Appraiser.

"**Appraised Value**" means the market value of a Residence as determined through an Appraisal.

"**Assignment of Mortgage Note and Mortgage**" means the assignment of all of the right, title and interest in a Mortgage Note and Mortgage, in the form prescribed from time to time by the Agency, to be executed and, in the case of the mortgage, to be recorded by Participant for each Mortgage Loan to be purchased.

"**Bond Counsel**" means any attorney or firm of attorneys experienced in the area of public law, tax exempt financing, and nationally recognized as bond counsel, selected or employed by the Agency.

"**Bondholders**" means registered owners of Bonds issued by the Agency to finance the purchase of mortgage loans.

"**Bonds**" means the bonds issued by the Agency under and pursuant to the Indenture.

"**Business Day**" means any day of the week other than Saturday, Sunday or a day which shall be a legal holiday in the Commonwealth or a day on which banking institutions are authorized or obligated by Law or executive order to close.

"**Closing**" means the execution of a Mortgage Note and Mortgage by a Mortgagor and the concurrent origination and funding of a Mortgage Loan by Participant pursuant to Section 4.04 of this Agreement.

"**Closing Date**" means the date of any Closing.

"**Code**" means the Internal Revenue Code of 1986, as amended, and the regulations of the United States Department of Treasury which may be promulgated thereunder from time to time and the regulations promulgated under Sections 103 and 103A of the Internal Revenue Code of 1954, as amended.

"**Commitment Fee**" means the fee to be paid to the Agency by Participant which may be specified from time to time by the Agency, which fee is not refundable except as provided in this Agreement, the Seller's Guide or any relevant Program Guidelines.

"**Commonwealth**" means the Commonwealth of Pennsylvania.

"**Conventional Mortgage Loan**" means a Mortgage Loan which is not guaranteed by VA, or RHS nor insured by FHA.

"**Credit/Pre-Compliance Approval Notification**" means the notification that the Agency provides to a Participant stating that a loan is approved for inclusion in one of the Agency's programs, subject to a final compliance approval at the time of purchase.

"Current Annual Household Income" means the income of an Eligible Borrower, together with the income of all members of such person's household intending to reside with such person in the Residence, determined in accordance with the Seller's Guide and any relevant Program Guidelines.

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

"Eligible Borrower" means the person(s) or family intending to purchase, and reside in, as their Principal Residence, a Residence to be financed with a Mortgage Loan; which person(s) or family meets all applicable requirements set forth in the Seller's Guide and any relevant Program Guidelines.

"FDIC" means the Federal Deposit Insurance Corporation, or any successor thereto.

"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 Insured Mortgage Loan" means a Mortgage Loan insured by FHA under the Section 203(b), Section 203(k), Section 221(d)(2), Section 223(e), Section 234(c) or other insurance programs of the Federal Housing Administration approved for purchase by the Agency.

"FHLMC" (Freddie Mac) means Federal Home Loan Mortgage Corporation, or any successor thereto.

"FNMA" (Fannie Mae) means Federal National Mortgage Association, or any successor thereto.

"Government Obligations" means direct general obligations of, or obligations, the payment of the principal and interest of which are unconditionally guaranteed by, the United States of America.

"Indenture" means the Trust Indenture dated as of April 1, 1982, between the Trustee and the Agency providing for the payment of and security for Bonds issued by the Agency, and all amendments or supplements thereto.

"Issuance Date" means the date of delivery of the Bonds.

"Laws" means all applicable statutes, laws, ordinances, regulations, orders, writs, injunctions, or decrees of the United States, any state, municipality or court of competent jurisdiction.

"Mortgage" means the instrument securing a Mortgage Loan which creates a first lien on the fee simple or leasehold title of a Residence subject only to Permitted Encumbrances, and which shall be in the form required by the Seller's Guide or any relevant Program Guidelines.

"Mortgage Documents" means the documents specified as such by the Agency in the Seller's Guide or any relevant Program Guidelines, pertaining to a particular Mortgage Loan.

"Mortgage Loan" means any loan evidenced by a Mortgage Note which is secured by the related Mortgage for financing the purchase by an Eligible Borrower of a Residence, and which loan is being presented to the Agency for Purchase or has been purchased pursuant to this Agreement.

"Mortgage Note" means the promissory note, executed by a Mortgagor to evidence such Mortgagor's obligation to repay the Mortgage Loan which shall be in the form required by the Seller's Guide or any relevant Program Guidelines, payable to the order of Participant, and prior to Purchase, endorsed to the Agency.

"Mortgagor" means the obligor(s) on a Mortgage Note and Mortgage.

"Notice Address" means (unless or until changed pursuant to this Agreement):

(a) As to the Agency:

PENNSYLVANIA HOUSING FINANCE AGENCY
Single Family Programs Division
211 North Front Street
P. O. Box 8029
Harrisburg, Pennsylvania 17105-8029

(b) As to Participant:

The address set forth below the Participant's signature on this Agreement.

"Officer" means any duly authorized officer or employee of Participant involved in, or responsible for, the origination and sale of Mortgage Loans, whose name has been furnished to the Agency by Participant.

"Opinion of Counsel" means an opinion in writing signed by an attorney licensed to practice in the Commonwealth, or, with the approval of the Agency, licensed to practice in another state, who is regular counsel to Participant which shall be in a form prescribed by the Agency.

"Permitted Encumbrances" means those liens, covenants, conditions and restrictions, rights of ways, easements and other matters of public record permitted under the FNMA Conventional Home Mortgage Selling Contract Supplement or the FHLMC Seller's Guide for Conventional Mortgages.

"Present Ownership Interest" means all forms of ownership interests other than (a) an ordinary lease, with or without a purchase option, (b) the interest of a buyer under a standard residential purchase contract, (c) an expectancy to inherit an ownership interest in property, (d) a remainder interest, (e) an ownership interest in a residence that is not occupied as a principal residence, e.g., a vacation home, a recreational home or a home rented to tenants, and (f) land contract or installment sales agreement which has a term not exceeding twenty-four (24) months.

"Principal Residence" means a residence which, in view of all the facts and circumstances of each case, including the good faith of the proposed Mortgagor, (i) is not primarily intended by the proposed Mortgagor to be used in a trade or business; (ii) is not to be used by the proposed Mortgagor as an investment property or as a recreational home; and (iii) is otherwise deemed a "principal residence" under Section 143 of the Code, and meets the purchase price limits and other requirements of the Seller's Guide and any relevant Program Guidelines.

"Program" means any of the Agency's Single Family Programs, described in this Agreement, the Seller's Guide and any relevant Program Guidelines, and any other single family program announced by the Agency pursuant to which the Agency will purchase Mortgage Loans from Participants.

“Program Guidelines” means any program descriptions, guidelines, forms or procedures established by the Agency and provided to Participants in connection with a Program, which may be amended by the Agency from time to time.

"Program Participation Fee" means a fee, not to exceed the amount specified in the Seller's Guide or any relevant Program Guidelines, which may be collected by a Participant in connection with the origination of mortgage loans.

"Purchase" means the purchase of a Mortgage Loan by the Agency from Participant pursuant to this Agreement, in conformity with the Seller's Guide and any relevant Program Guidelines.

"Purchase Date" means the day of any Purchase.

"Purchase Price" means the amount which the Agency will pay to Participant for a Mortgage Loan being purchased, as specified in the Seller's Guide or any relevant Program Guidelines.

"Purchase Submission Schedule" means the schedule in the form prescribed from time to time by the Agency, to be submitted by Participant with each Mortgage Loan delivered for Purchase.

"Qualified Appraiser" means an appraiser who is certified and in good standing as a General Appraiser or Residential Appraiser by the Commonwealth of Pennsylvania (or other certification approved by the Agency) and who has not been disqualified by the Agency.

"Qualified Insurer" means the private mortgage insurers specified in the Seller's Guide and such other insurers as the Agency may from time to time designate.

"Qualifying Fee" means a fee, not to exceed the amount specified in the Seller's Guide or any relevant Program Guidelines, which may be collected by Participant in connection with the origination of mortgage loans.

"Qualified Mortgage Loan" means a Mortgage Loan made to an Eligible Borrower, secured by a Mortgage on a Residence, meeting all requirements of this Agreement, the Seller's Guide and any relevant Program Guidelines.

“RHS” means the Rural Housing Service of the United States Department of Agriculture or any successor thereto.

"Residence" means a residential dwelling unit located within the Eligible Loan Area, occupied or to be occupied within a reasonable period of time (e.g. 60 days) after the Closing as the Principal Residence of the owner Mortgagor, as specified in the Seller's Guide or any relevant Program Guidelines.

"Sales Price" means the total cost of acquiring the Residence as a completed residential dwelling unit as evidenced by the contract of sale or otherwise determined by Participant pursuant to the 'Maximum Residence Purchase Price' limitations set forth in the Seller's Guide or any relevant Program Guidelines, exclusive of (i) all usual and reasonable settlement and financing costs collected, (ii) the value of any services performed by the Mortgagor or members of the Mortgagor's immediate family in completing the Residence and (iii) the cost of land which has been owned by the Mortgagor for at least two years before the date on which the Mortgagor's application was taken.

"**Schedule of Maximum Residence Purchase Prices**" means the schedule set forth in the Seller's Guide or any relevant Program Guidelines, as may be amended by the Agency from time to time.

"**Seller's Guide**" means the manual setting forth the policies, procedures and guidelines established by the Agency and provided to Participants, all of which may be amended, by the Agency, from time to time, and any other guidelines or program announcements adopted by the Agency and provided to Participant under the Program.

"**Substantial Rehabilitation Loan**" means a Mortgage Loan made to finance the purchase of a Residence which has been substantially rehabilitated pursuant to the Seller's Guide or any relevant Program Guidelines.

"**Take-out Loan**" means any Mortgage Loan made for the purpose of paying a construction period loan, bridge loan or similar temporary initial financing with a term not in excess of twenty-four (24) months which qualifies as such pursuant to the Seller's Guide or any relevant Program Guidelines.

"**Target Areas**" means those census tracts and areas of the Commonwealth identified by the Agency in the Seller's Guide which constitute qualified census tracts or areas of chronic economic distress within the meaning of Section 143 of the Code.

"**Title Policy**" means a mortgagee guaranty title insurance policy issued by a company qualified to insure title in the Commonwealth in form approved by the Agency in an amount equal to the original principal amount of the Mortgage Loan, issued as of the Closing of such Mortgage Loan and insuring Participant and its successors and/or assigns, or the Agency and its successors and/or assigns, that the Mortgage securing the Mortgage Loan constitutes a valid first lien on the fee simple or leasehold title to the Residence, subject only to Permitted Encumbrances.

"**Trustee**" means the financial institution serving in such capacity pursuant to the Indenture and any successors or assigns, including, as applicable, Bondholders.

"**VA**" means the Bureau of Veterans Affairs of the United States of America, or any successor thereto.

ARTICLE II **Representations, Warranties and Covenants**

Section 2.01. Representations, Warranties and Covenants of Agency. The Agency represents and warrants to, and covenants with Participant that:

(a) **Due Organization.** The Agency is a public corporation and government instrumentality of the Commonwealth, duly organized and validly existing under the Act and the Laws of the Commonwealth. The Agency is in compliance with all of the provisions of the Constitution and Laws of the Commonwealth, including the Act, and has full power and authority to consummate all transactions, execute all documents, and issue all instruments contemplated by the Agreements.

(b) **Public Purpose.** The Agency has found and determined that the Purchase of the Mortgage Loans under the terms of this Agreement to finance the purchase by Eligible Borrowers of Residences will further and fulfill the purposes of the Act and be in the public interest as found, determined and set forth in the Agency's resolution authorizing the issuance of bonds or notes, or allocation of resources for such purpose.

(c) Authority. The execution and delivery of this Agreement by the Agency, the issuance of bonds or notes or allocation of resources by the Agency in the manner contemplated by the Indenture and this Agreement and the performance of and compliance with the terms of this Agreement by the Agency will not violate (i) the Act, (ii) the Agency's rules and regulations, or the instruments governing its operations in any respect, or (iii) any Laws in any respect which could have any material adverse effect whatsoever upon the validity, performance or enforceability of any of the terms of this Agreement.

(d) Enforceability. This Agreement, when executed and delivered by the Agency, will constitute a valid, legal and binding obligation of the Agency, enforceable in accordance with its terms, except as the enforcement thereof may be limited by applicable Debtor Relief Laws.

Section 2.02. Representations And Warranties Of Participant. Participant represents and warrants to the Agency that as of the date hereof and at the purchase date of each Mortgage Loan:

(a) Due Organization. Participant is and shall continue to be duly organized, validly existing, and in good standing under the laws of the United States and the state of its formation or incorporation. Participant is duly authorized and qualified to transact mortgage business in the Commonwealth and all business contemplated by this Agreement and possesses and shall maintain 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. Participant is in compliance with the laws of this Commonwealth and in good standing with federal authorities to the extent necessary to ensure the enforceability of each related Mortgage Loan

(b) Authority. Participant has the full power and authority to execute and deliver this Agreement and to perform in accordance herewith; the execution, delivery and performance of this Agreement and the related loan documents and commitment letters (including all instruments of transfer to be delivered pursuant to this Agreement) by Participant and the consummation of the transactions contemplated hereby have been duly and validly authorized; and all requisite corporate action has been taken by the Participant to make this Agreement valid and binding upon the Participant.

(c) Ordinary Course of Business. The consummation of the transactions contemplated by this Agreement are in the ordinary course of business of the Participant and the transfer, assignment and conveyance of the Mortgage Notes and the Mortgages by the Participant are not subject to the bulk transfer laws or any similar statutory provisions.

(d) No Conflicts. Neither the execution and delivery of this Agreement, the origination and acquisition of the Mortgage Loans by the Participant, the sale of the Mortgage Loans to the Agency or the transactions contemplated thereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement will conflict with or result in a breach of any of the terms, conditions or provisions of the Participant's charter or by-laws, or any legal restriction or any agreement or instrument to which the Participant is now a party or by which it is bound, or constitute a default or result in an acceleration under any of the foregoing, or result in the violation of any law, rule, regulation, order, judgment or decree to which the Participant or any of its property is subject, or impair the ability of the Agency to enforce any of the Mortgage Loans according to their terms, or impair the value of any of the Mortgage Loans.

(e) Ability to Perform. Participant does not believe, nor does it have any reason or cause to believe, that it cannot perform each and every covenant contained in this Agreement.

(f) No Litigation Pending. There is no action, suit, proceeding, inquiry or investigation pending or threatened against the Participant which, either in one incident or in the aggregate, would be likely to result in any material adverse change in the business, operations, financial condition, properties, or assets of

the Participant, or in any material liability on the part of the Participant, or which would draw into question the validity of this Agreement or the Mortgage Loans or of any action taken or to be taken in connection with the obligations of the Participant contemplated herein, or which would be likely to impair materially the ability of the Participant to perform under the terms of this Agreement.

(g) No Consent Required. No consent, approval, authority or order of any court or governmental agency or body is required for the execution, delivery and performance by the Participant of or compliance by the Participant with this Agreement, the origination or sale of the Mortgage Loans or the consummation of the transactions contemplated by this Agreement or, if such consent or approval is required, it has been obtained.

(h) No Untrue Information. Neither this Agreement nor any statement, report or other document furnished or to be furnished by the Participant pursuant to this Agreement contained any untrue statement of fact or omits to state a fact necessary to make the statements contained therein not misleading, and, to the best of Participant's knowledge, no statement, report or other document furnished or to be furnished by any party other than the Participant in connection with this Agreement contains any untrue statement of fact or failed to state a fact necessary to make the statements contained therein not misleading.

(i) Agency Supervision. The Participant shall comply with all statutes, rules and regulations applicable to its activities under this Agreement, including without limitation, any rule or regulations of Participant's supervisory agency or other regulatory body having jurisdiction over the Participant. Participants shall be at all times properly licensed and in compliance with all applicable registrations set forth from time to time by the Commonwealth or by the other applicable and relevant authorities governing lending and mortgage related activities.

(j) Approved Participant. Participant is a lending institution, which has been approved to participate in any of the Agency's Single Family Programs.

(k) No Federal Suspension or Investigation. Participant is not subject to federal debarment or suspension for engaging in predatory lending or redlining activities and is not under investigation for its lending practices by any state or federal authority with jurisdiction.

Section 2.03. Representations, Warranties and Covenants Relating to Mortgage Loans. By execution and delivery of this Agreement, Participant represents and warrants to, and covenants with the Agency that, as of the Purchase Date of the Mortgage Loans:

(a) Accurate Information. The information set forth in Purchase Submission Schedule or otherwise submitted to the Agency, pertaining to each Mortgage Loan is true and correct as of the date thereof and will be true as of the Purchase Date unless the Agency is notified in writing to the contrary prior to the Purchase Date; and the Mortgage Loan is a Qualified Mortgage Loan.

(b) First Lien. The Mortgage Loan is secured by a valid first lien on the fee simple title to or a leasehold estate extending at least ten (10) years beyond the term of the Mortgage on a residential dwelling unit which, to Participant's best knowledge, after due inquiry, is (i) located within the Commonwealth, (ii) is occupied by or to be occupied within a reasonable period of time after the Closing (e.g. 60 days), by the Mortgagor as the Principal Residence of such Mortgagor, (iii) is intended for owner occupancy, (iv) will be occupied by the Mortgagor(s) for the life of the loan, and (v) is being acquired by the Mortgagor at a cost which complies with the applicable Sales Price limitations specified in the Seller's Guide or any relevant Program Guidelines.

(c) Subordinate Liens. The property shall be subject only to the lien of the first mortgage, such subordinate mortgages as are approved by the Agency, current real property taxes and assessments, and covenants, conditions and restrictions, rights of way, easements and other matters of public record as of the date of recording of the first mortgage, which are Permitted Encumbrances. The improvements on the property shall have been fully completed and the property subject to the mortgage shall be free and clear of all mechanics' and materialmen's liens, or liens in the nature thereof, and no rights are outstanding that could give rise to such lien and the property subject to the mortgage is free from all other liens, encumbrances, restrictions and covenants which would materially and adversely affect the value of the property. In the event the Mortgage Loan was made to finance the purchase of a newly constructed or rehabilitated home, said home was, to the best knowledge of participant, constructed or rehabilitated, in accordance with all applicable building codes and standards and the builder has warranted all materials, workmanship and mechanicals for a minimum period of one (1) year.

(d). Qualified Mortgage Loan. The Mortgage Loan is made in accordance with the Seller's Guide and any relevant Program Guidelines, and qualifies for Purchase under the terms of this Agreement.

(e). FNMA, FHLMC or other investor loans. If it is expected that the mortgage loans are to be purchased by Fannie Mae, Freddie Mac, or some other investor, the mortgage loans must meet the eligibility requirements of the Agency's Seller's Guide or any relevant Program Guidelines for purchases by Fannie Mae, Freddie Mac or such other investor. There are no circumstances or conditions with respect to the Mortgage loan, the Mortgage, the property subject to the Mortgage, or the Mortgagor or the Mortgagor's credit standing that will cause the Agency or cause Fannie Mae, Freddie Mac or such other investor to regard the Mortgage Loan as an unacceptable investment, cause the Mortgage loan to become delinquent or adversely affect the value or marketability of the Mortgage Loan.

(f). Primary Mortgage Insurance. If required by this Agreement, the Seller's Guide or any relevant Program Guidelines, the Mortgage Loan is insured under a private mortgage insurance policy, under one of the FHA's Mortgage Insurance Programs, or guaranteed by VA or RHS.

(1)As to each Mortgage Loan which is privately insured, Participant has complied, with all rules and requirements of the insuring company and the contract of insurance, and such insurance is in full force and effect and will, upon Purchase of the Mortgage Loan, inure to the benefit of the Agency.

(2) If the Mortgage Loan is insured by one of the FHA Mortgage Insurance programs, the Participant has complied with all rules and regulations of HUD and such insurance is in full force and effect and will, upon purchase of the Mortgage Loan, inure to the benefit of the Agency.

(3) If the Mortgage Loan is guaranteed by the VA, the Participant has complied with all rules and regulation of the VA and such guarantee is in full force and effect and will, upon purchase of the Mortgage Loan, inure to the benefit of the Agency.

(4) If the Mortgage Loan is guaranteed by the RHS, the Participant has complied with all rules and regulations of the RHS and such guarantee is in full force and effect and will, upon purchase of the Mortgage Loan, inure to the benefit of the Agency.

(5) If the Mortgage Loan is self-insured by the Agency under its Self-Insurance fund or other similar risk retention program, the Participant has complied with all requirements of the Agency and the self insurance is in full force and effect and will, upon purchase of the Mortgage Loan, inure to the benefit of the Agency.

(g) Insurance. The improvements upon the real property subject to the Mortgage Loan are covered by such hazard insurance policy or policies, as required by this Agreement, the Seller's Guide or any relevant Program Guidelines, with one year's premium prepaid at the time of Closing and an endorsement in favor of the Agency or its assigns.

(h) No Alterations or Modifications. The terms, covenants and conditions of the Mortgage Loan have not been, and will not be as of the Purchase Date, waived, altered, impaired or modified in any respect which materially affects the value, validity, enforceability, prompt payment of the Mortgage Loan, or the security of the lien securing the Mortgage Loan.

(i) No Default or Delinquency. There is no default or delinquency under the terms and covenants of the Mortgage Loan; no payments are past due or unpaid under the Mortgage Loan; and all costs, fees and expenses incurred in making, closing and recording the Mortgage Loan have been paid.

(j) Taxes Paid. There are no unpaid or delinquent taxes, or delinquent tax liens against the property financed by the Mortgage Loan.

(k) No Impairments. Participant has not done any act to create an offset, defense or counterclaim to the Mortgage Loan, including the obligation of the Mortgagor to pay the unpaid principal of and interest on the Mortgage Loan.

(l) Condemnation or Defects. Based upon an inspection made by or on behalf of the Participant in connection with making the Mortgage Loan, said property is served by a properly functioning water and sewage system, is free of material damage and is in general good repair on the Purchase Date. The Participant has no knowledge that any improvement covered by the Mortgage Loan is in violation of any applicable zoning law or regulation or any valid restrictive or protective covenant or set back line and there is pending no proceeding for a total or partial condemnation of the physical property financed by the Mortgage Loan.

(m) Truth-in-Lending. The Mortgage Loan, at the time it was made, conformed to all disclosures required to be made by the Real Estate Settlement Procedures Act and the Federal Truth-in-Lending Act or any similar applicable Federal or State Law. All closing and settlement costs and all other charges in connection with the Mortgage Loan, paid or borne by the Mortgagor and by the seller of the property securing the Mortgage Loan, have been disclosed to such parties and have been clearly itemized, identified and explained in detail (with the party paying or bearing each such items of cost or other charge clearly indicated) on a closing or settlement statement, a signed copy of which was furnished on or before Closing or Settlement to such Mortgagor and Seller. All closing and settlement costs have been paid in full.

(n) Recordation. The Mortgage has been duly recorded or filed for record by Participant in the proper public office in order to give constructive notice thereof to all subsequent purchasers or encumbrances of the property financed by such Mortgage Loan.

(o) Usury. The Mortgage Loan at the time of Closing and at the time of Purchase is in compliance with applicable usury laws.

(p) Ownership of Loan. Immediately prior to the transfer and assignment of the Mortgage Note and related Mortgage, the Participant has good title to, and is the sole owner of, such Mortgagor Loan and there is not now nor has there been any other sale or assignment thereof, except an assignment for security purposes in connection with a mortgage warehousing financing arrangement, with the Agency's consent, which is the subject of a Bailee Agreement entered into among the Participant, the Agency and the 'Warehouse Lender'. The Mortgage and Assignment of Mortgage have been properly recorded or filed for record.

(q) Mortgagor is Owner. To the best knowledge of Participant, the Mortgagor of a Mortgage Loan has not conveyed such Mortgagor's right, title or interest to or in the property subject to the Mortgage to any party.

(r) Fees. The Program Participation Fee and Qualifying Fee, if any, charged and retained by Participant and the stated interest rate for each Mortgage Loan are in compliance with this Agreement, the Seller's Guide and any relevant Program Guidelines.

(s) Marketability. Participant has no knowledge of any circumstances or conditions with respect to the Mortgage Loan, the Mortgage, the property subject to the Mortgage, or the Mortgagor or his credit standing that can be reasonably expected to cause prudent private investors in the secondary market to regard the Mortgage Loan as an unacceptable investment, cause the Mortgage Loan to become delinquent, or adversely affect the value or marketability of the Mortgage Loan.

(t) Assurances. Participant will insure that property inspections, certifications and appraisals by or on its behalf with respect to a mortgage loan will be and are performed in a thorough and complete and competent manner by qualified professionals.

(u) Target Areas. If relevant to the particular loan program, Participant agrees to exercise reasonable diligence in financing Mortgage Loans with respect to property located in Target Areas. Participant further understands that the Agency, in complying with requirements of the Code, may advertise the availability of funds for the financing of Mortgage Loans in Target Areas and may refer to Participant individuals who wish to enter into a Mortgage Loan with respect to property located in Target Areas.

(v) Program Affidavits. At the time of Closing, there will have been executed and in possession of Participant one each of the various affidavits and certificates required by the Seller's Guide and any relevant Program Guidelines.

ARTICLE III **Participation in Program**

Section 3.01. Acceptance Procedure. (a) The Agency accepts Lenders to participate in Agency programs from time to time, as needed to provide adequate availability of funds statewide. Requirements to become a Participating Lender are set forth in the Seller's Guide and any relevant Program Guidelines.

(b) Once approved to participate, and after execution and delivery of this Agreement and an Opinion of Counsel, Participant will originate loans in accordance with this Agreement, the Seller's Guide, and any relevant Program Guidelines.

(c) Participant shall be committed to originate Mortgage Loans in accordance with this Agreement, the Seller's Guide, and any relevant Program Guidelines. Participant further agrees to sell to the Agency at the Purchase Price those Mortgage Loans that meet the Agency's eligibility requirements and have been properly reserved with the Agency.

Section 3.02. Commitment Fees. If the Agency charges commitment fees in conjunction with any programs, said fees shall be paid, refunded or retained on the terms and in the manner specified in the Seller's Guide or any relevant Program Guidelines.

Section 3.03. Third Party Originations. In conjunction with the transactions contemplated by this Agreement, Participant has not directly or indirectly contracted or entered into any agreement with any other Participant, non-participating lender or any other person or entity (except the Agency) with respect to any aspect of its participation in the Program or with respect to any money paid to or received by the Participant in connection with the Program.

Section 3.04. Maintenance of Fidelity Bond and Errors and Omissions Insurance. Participant shall obtain and maintain at its own expense, and shall furnish the Agency satisfactory evidence of (1) a blanket fidelity bond and (2) an errors and omissions insurance policy in full force and effect throughout the term of this Agreement covering Participant's officers and employees and other persons acting on behalf of Participant in its capacity as Participant with regard to the mortgage loans. The amount of coverage shall be at least equal to the coverage that would be required by FNMA or FHLMC with respect to Participant, if Participant were servicing mortgage loans for FNMA or FHLMC. In the event Participant is unable to secure the aforesaid amount of coverage, the coverage shall be in an amount as required by the Agency in its sole discretion. The insurance company selected by participant shall be acceptable to the Agency. The certificate of insurance must list the Agency as a certificate holder and provide the Agency at least thirty (30) days notice of cancellation. Any amounts collected under such bond or policy relating to participant's activities under this Agreement shall be remitted to the Agency.

Section 3.05. Mergers and Acquisitions. Participant agrees that so long as it shall continue to serve in the capacity contemplated under the terms of this Agreement, it will remain in good standing under the Laws governing its creation and existence and qualified under the Laws of the Commonwealth to do business in the Commonwealth. Participant agrees that at least sixty (60) days prior to any major change in its corporate existence or the ownership of its stock or assets (including but not limited to a dissolution, disposal of all or substantially all of its assets, acquisition of all or substantially all of the assets of another entity, consolidation with or merger into any other entity or permitting another entity to consolidate with or merge into it) it will give written notice to the Agency describing in detail the nature of the changes being proposed and the impact such changes might have on its ability to serve in the capacity contemplated under this Agreement. Upon receipt of said notice, the Agency will evaluate whether to allow Participant to continue to participate in the Program and if so, upon what terms, limitations or conditions.

ARTICLE IV **Origination and Closing of Mortgage Loans**

Section 4.01. Agreement to Originate and Sell. Participant hereby agrees to use its best efforts to originate Mortgage Loans for sale to the Agency in accordance with this Agreement, the Seller's Guide and any relevant Program Guidelines.

Section 4.02. Mortgage Loan Terms. (a) All Mortgage Loans to be Purchased by the Agency hereunder must be Qualified Mortgage Loans. Each Mortgage Loan shall provide for level payment and amortization of principal and interest with payments due on the first day of each month, unless otherwise specified in the Seller's Guide or any relevant Program Guidelines.

(b) On Conventional Mortgage Loans, a Participant may collect from the seller of the residence (within program guidelines), or from the mortgagor, all reasonable and customary charges permitted by law, paid or incurred by the Participant on behalf of the mortgagor for hazard or mortgage insurance premiums, survey, title insurance, appraisal fees, counseling fees, abstract and attorneys' fees, recording or registration charges, credit reports, transfer taxes, a Program Participation Fee and Qualifying Fee (if applicable) and other similar expenses to the extent such amounts do not exceed the reasonable and customary amounts charged in the area.

(c) On FHA Insured Mortgage Loans, when applicable, the Participant shall credit the PHFA Program Participation Fee paid by the mortgagor or on behalf of the mortgagor to the allowable FHA Origination Fee. A Participant may also collect from the seller of the residence (within FHA guidelines) or from the mortgagor all reasonable and customary charges permitted by Law, paid or incurred by the Participant on behalf of the mortgagor for hazard or mortgage insurance premiums, survey, title insurance, appraisal fees, counseling fees, abstract and attorneys' fees, recording or registration charges, credit reports, transfer tax and intangible taxes, Qualifying Fee (if applicable) and other similar expenses to the extent such amounts do not exceed the reasonable and customary charges for the area as may be authorized pursuant to 24 CFR Part 203.27.

(d) On VA Guaranteed loans, when applicable, the Participant may collect a PHFA Participation Fee and a Qualifying Fee. If the loan does not close due to circumstances beyond the borrowers' control, the Qualifying Fee must be returned to the borrower. A Participant may also collect from the seller (within VA guidelines) or from the mortgagor all reasonable and customary charges for the area which are authorized pursuant to 38 CFR Part IV, Sections 36.4300 *et seq.*

(e) On RHS loans, a Participant may collect from the seller (within the stricter of RHS or PHFA Program Guidelines) or from the mortgagor all reasonable and customary charges which are charged to other applicants for similar types of transactions. The Participant will pay a non-refundable Section 502 Guaranteed Rural Housing Program Fee in accordance with 7 CFR Part 3555 Subpart C, Section 107. This fee may be passed on to the borrower.

(f) No other fees, charges, discounts or remuneration from any source may be received or retained by any Participant in connection with a Closing under this Program unless expressly permitted by the terms hereof, the Seller's Guide or any relevant Program Guidelines.

Section 4.03. Preferential Treatment. Except as may otherwise be expressly provided in the Seller's Guide or any relevant Program Guidelines, no Participant shall enter into any agreement or arrangement with any person, firm or corporation to prefer any applicant or group of applicants for Mortgage Loans over any other applicant or group of applicants for such loans, and Participants will consider all applications for Mortgage Loans on a fair and equal basis and will not arbitrarily reject any 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 therefore or reject a Mortgage Loan applicant because of the race, color, religion, national origin, age, sex, disability or familial status of such applicant. In accepting, evaluating and acting upon such applications, Participant shall comply with all applicable Laws and Regulations pertaining to the origination of mortgage loans and disclosures or documentation required in connection herewith.

Section 4.04. Mortgage Loan Submission and Closing.

(a) Prior to the Closing Date, Participant shall deliver such documents relating to the Mortgage Loan to the Agency as required in the Seller's Guide or any relevant Program Guidelines, and shall obtain evidence of approval of the Mortgage Loan, if applicable, by the Agency prior to Closing. Within the delivery period for which the loan was reserved, Participant shall deliver to the Agency the Mortgage Documents as set forth in the Seller's Guide and any relevant Program Guidelines pertaining to any Mortgage Loan which has been closed. Participant shall pay all costs of preparing and furnishing to the Agency and the insurer the Mortgage Documents and the Mortgage Loan File. Certain Mortgage Documents will be reviewed by the Agency prior to the Purchase Date. Any Mortgage Loan, with respect to which the Mortgage Documents are deemed to be defective, may be returned by the Agency, with all instruments submitted in accordance with this Section, to the Participant to be cured if possible. After cure of the defects, such Mortgage Loan must be resubmitted in accordance with the procedures of this Section. A complete review of the purchase file will be completed after the loan has been purchased. Participant will be required to correct

any deficiencies within 60 days of being so notified by the Agency or will be required to repurchase the loan. The examination of a Mortgage Loan by the Agency hereunder shall not constitute a waiver of any warranty, representation or covenant by Participant or the Mortgagor with respect to the Mortgage Loan.

(b) The Purchase of Mortgage Loans hereunder shall take place daily or as the Agency may otherwise determine. Only Mortgage Loans submitted in accordance with this Agreement, the Seller's Guide, and any relevant Program Guidelines will be purchased by the Agency.

(c) Mortgage loans are sold servicing released and all escrow payments shall be remitted to the Agency. The Agency shall Purchase, from moneys available therefore, each Mortgage Loan which is approved as of the Purchase Date under the terms and conditions herein specified. Upon the Purchase of each Mortgage Loan, the Agency shall deliver to Participant the Purchase Price of the Mortgage Loan. Prior to the Purchase of a Mortgage Loan, Participant shall record or file for recording an Assignment of Mortgage and the Mortgage for such Mortgage Loan in all offices necessary to perfect the lien of the Mortgage under the Laws of the Commonwealth and submit same, with proper recordation notation, with the Mortgage Loan file. All notices to insurers under any insurance policies maintained with respect to a Mortgage Loan under this Agreement which are required to be given for mortgages serviced for FNMA or FHLMC shall be given by Participant prior to Purchase. Participant shall submit, within sixty (60) days from the Purchase Date, the recorded documents and related Mortgage Loan File prepared in accordance with the Seller's Guide and any relevant Program Guidelines and containing the documents and certificates specified therein. Participant shall also provide to the Agency, Trustee or such other persons as the Agency may from time to time designate, such other reports or information regarding the Mortgage Loans being sold by Participant as may be reasonably requested by any of them.

Section 4.05. Retention of Mortgage Loan File. Participant shall retain a complete copy of the Mortgage Loan File, containing the documents specified from time to time by the Agency, with respect to each Mortgage Loan Purchased until at least three (3) years after the date the Mortgage Loan is Purchased, or such longer period as may be required by law or regulation. The Agency shall have the right to request copies of Mortgage Loan Files, or to audit such files at the offices of Participants.

Section 4.06. Limited Liability. All monetary obligations of the Agency incurred hereunder shall be payable solely out of, and all liability of the Agency shall be limited to, revenues and receipts derived from the transaction contemplated and performed pursuant to the Agreement.

Section 4.07. Defects and Non-Submission. (a) Following the Purchase of any Mortgage Loan, and notwithstanding the review of the Mortgage Documents prior to Purchase pursuant to Section 4.04, if Participant does not submit the recorded documents and related Mortgage Loan File to the Agency within sixty (60) days from the Purchase Date, Participant shall, at the option of the Agency or the Trustee, repurchase the Mortgage Loan at a price equal to the amount specified below. If any documents constituting a part of the Mortgage Loan File are determined at any time, in the judgment of the Agency or the Trustee, to be defective or inaccurate in any material respect, or any representation or warranty of Participant in this Agreement is, in the judgement of the Agency or the Trustee, untrue as to any material matter, Participant shall cure the defect within a period of sixty (60) days from the time it receives notice of the existence of the defect or inaccuracy or such shorter period as may be required by the Agency. The falsity of a representation by a Mortgagor respecting any fact or facts which (A) the Participant is entitled to rely upon under the provisions of this Agreement, (B) is of such nature that although false, security for any payment of the pertinent Mortgage Loan is not thereby adversely affected, (C) is relied upon by the Participant in good faith, and (D) in the opinion of Bond Counsel does not affect the tax-exempt status of any Bonds, shall not be deemed a material defect or inaccuracy.

(b) Participant hereby agrees that, if it has failed to submit a completed Mortgage Loan File to the Agency or if any material defect or inaccuracy cannot be cured to the satisfaction of the Agency or the Trustee within the sixty (60) day period, or such shorter period if applicable, (a) it will, not later than ninety (90) days after notice to it respecting such defect or inaccuracy as to a Mortgage Loan with an outstanding principal balance, repurchase the related Mortgage Loan from the Agency at a price equal to (i) the outstanding principal balance of such Mortgage Loan, plus (ii) any accrued and unpaid interest at the annual rate borne by the Mortgage Note to the date of the repurchase and the portion of any fees paid in connection with the Purchase of the subject Mortgage Loan

(c) The Purchase Price of the Mortgage Loan being repurchased shall be remitted by Participant to the Agency, and the Agency shall assign and deliver the related Mortgage documents to the Participant and execute and deliver such instruments of transfer or assignment, in each case without recourse, as shall be necessary to vest in Participant such Mortgage Loan. Participant hereby waives any statute of limitation or other Law that might otherwise be raised in defense to any repurchase obligation hereunder.

Section 4.08. Reissuance of Funds from Repurchase. If, during the Origination Period, Trustee receives any moneys by reasons of a repurchase of a Mortgage Loan from Participant pursuant to Section 4.07 hereof, the Agency may reuse such moneys in such manner as the Agency shall deem appropriate.

ARTICLE V **Duties of the Agency**

Section 5.01. Issuance of Bonds or Notes. The Agency hereby agrees to use its best efforts to issue or remarket its bonds or notes in an amount sufficient to effectuate the purposes of its Programs and this Agreement.

Section 5.02. Issuance of Notices. The Agency will issue such notice to Participant and/or such other notice as may be necessary to fulfill the obligations of the Agency hereunder and to effectuate the purposes of the Program and this Agreement.

Section 5.03. Agency to Purchase Mortgage Loans. The Agency hereby agrees to Purchase from funds available for such purpose, all Mortgage Loans which are approved pursuant to this Agreement, the Seller's Guide and any relevant Program Guidelines.

Section 5.04. Review of Participant's Performance. The Agency shall monitor the performance of Participant based upon all information, which the Agency gathers and receives, to determine whether Participant is performing in accordance with this Agreement taking into account among other things the following criteria:

1. Compliance with this Agreement, the Seller's Guide, and any relevant Program Guidelines.
2. Volume of loans originated.
3. Timeliness and accuracy of document and file submissions.
4. Record Keeping and compliance with reporting requirements.
5. Frequency and seriousness of errors and efforts taken to correct errors
6. Mortgage Delinquency and default rates
7. Quality of credit/pre-compliance, purchase, servicing released and final document submissions.
8. Financial stability of Participant

9. Ongoing compliance with fair lending, fair housing and consumer protection Laws and Regulations.

Section 5.05. Assignment of Authority. The Agency may assign, from time to time, to the extent permitted by Law, all or a portion of its authority, rights and/or duties under the Agreement to members of its Board of Directors or staff or to experts, consultants, or other persons or entities now or hereafter engaged or retained by the Agency.

Section 5.06. Review of Mortgage Loans. The Agency will review certain Mortgage Documents and following receipt thereof will review the Mortgage Loan File, pertaining to each Mortgage Loan submitted by Participant for Purchase, to determine whether, the Mortgage Loan is in compliance with this Agreement, the Seller's Guide and any relevant Program Guidelines. In the event the Mortgage Documents or the Mortgage Loan File pertaining to any Mortgage Loan is, in the judgment of the Agency, defective or the Mortgage Loan is otherwise not acceptable for Purchase, the Agency may return the Mortgage Documents or the Mortgage Loan File to Participant for curative action, specifying the defect or defects; or the Agency, in its discretion, may hold such Mortgage Documents or the Mortgage Loan File pending correction of the defect(s), as specified in a notice or otherwise communicated to Participant. In those cases where the loan has already been purchased, the Agency may require the Participant to repurchase the loan.

Section 5.07. Execution of Documents. The Agency shall cause to be executed and delivered instruments of assignment or conveyance and all other documents which are reasonably required to be executed and delivered by the Agency in connection with the Program and which are not inconsistent with the provisions hereof or of the Indenture. If Participant shall be required to repurchase a Mortgage Loan in accordance with the terms of this Agreement, the Agency, upon payment therefore, shall cause to be executed and delivered all documents necessary or appropriate to assign and convey the Mortgage Loan to Participant, without recourse to the Agency. In the event any Mortgage Loan submitted for Purchase is not approved for Purchase pursuant to this Agreement, the Agency shall execute and deliver or cause to be executed and delivered all documents necessary or appropriate to reassign such loan to Participant, without recourse to the Agency.

ARTICLE VI **Integrity, Responsibility and Nondiscrimination**

Section 6.01. Definitions. As used in this Article, the following words and phrases shall have the meanings herein specified:

“**Confidential Information**” means information that is not public knowledge, or available to the public on request, disclosure of which would give an unfair, unethical, or illegal advantage to another desiring to contract with the Commonwealth and/or the Agency.

“**Consent**” means written permission signed by a duly authorized officer or employee of the Commonwealth and/or the Agency, provided that where the material facts have been disclosed, in writing, by prequalification, bid, proposal, or contractual terms, the Commonwealth and/or the Agency shall be deemed to have consented by virtue of execution of this Agreement.

“**Financial interest**” means ownership of more than a five percent (5%) interest in any business or holding a position as an officer, director, trustee, partner, employee, or the like, or holding any position of management.

“**Gratuity**” means any payment of more than nominal monetary value in the form of cash, travel, entertainment, gifts, meals, lodging, loans, subscriptions, advances, deposits of money, services, employment, or contracts of any kind.

“**Participant**” means the entity that has entered into this Agreement, including directors, officers, partners, managers, key employees, and owners of more than five percent (5%) interest.

Section 6.02. Integrity.

(a) Participant shall maintain the highest standards of integrity in the performance of this Agreement and shall take no action in violation of state or federal laws, regulations, or other requirements that govern contracting with the Commonwealth and/or the Agency.

(b) Participant shall not disclose to others any confidential information gained by virtue of this Agreement.

(c) Participant shall not, in connection with this or any other Agreement with the Commonwealth and/or the Agency, directly or indirectly, offer, confer, or agree to confer any pecuniary benefit on anyone as consideration for the decision, opinion, recommendation, vote, other exercise of discretion, or violation of a known legal duty by any officer or employee of the Commonwealth and/or the Agency.

(d) Participant shall not, in connection with this or any other Agreement with the Commonwealth and/or the Agency, directly or indirectly offer, give, or agree or promise to give to anyone any gratuity for the benefit of or at the direction or request of any officer or employee of the Commonwealth and/or the Agency.

(e) Except with the consent of the Commonwealth and/or the Agency, neither Participant nor anyone in privity with it shall accept or agree to accept from, or give or agree to give to, any person, any gratuity from any person in connection with the performance of work under this Agreement except as provided therein..

(f) Participant, upon being informed that any violation of these provisions has occurred or may occur, shall immediately notify the Agency in writing.

(g) Participant, by execution of this Agreement and by the submission of any bills or invoices for payment, or acceptance of payment pursuant thereto, certifies and represents that it has not violated any of these provisions.

(h) Participant shall, upon request of the Office of State Inspector General, reasonably and promptly make available to that Office and its representatives, for inspection and copying, all business and financial records of Participant of, concerning and referring to this agreement, or which are otherwise relevant to the enforcement of these provisions.

(i) For violation of any of the provisions of this Article, the Commonwealth and/or the Agency may terminate this and any other Agreement with Participant, claim liquidated damages in an amount equal to the value of anything received in breach of these provisions, claim damages for all expenses incurred in obtaining another entity to complete performance hereunder, and debar and suspend the Participant from doing business with the Agency. These rights and remedies are cumulative, and the use or nonuse of any one

shall not preclude the use of all or any other. These rights and remedies are in addition to those the Agency may have under this Agreement or under any law, statute, or regulation.

Section 6.03. Responsibility.

(a) Participant certifies that it is not currently under suspension or debarment by the Commonwealth, any other state, or the federal government, and if the Participant cannot so certify, then it agrees to submit a written explanation to the Agency of why such certification cannot be made.

(b) Participant agrees to reimburse the Commonwealth for the reasonable costs of investigation incurred by the Office of Inspector General for investigations of Participant's compliance with the terms of this Article which result in the suspension or debarment of Participant. Such costs shall include, but not be limited to, salaries of investigators, including overtime; travel and lodging expenses; and expert witness and documentary fees. Participant shall not be responsible for investigative costs for investigations which do not result in Participant's suspension or debarment.

(c) Participant may obtain the current list of suspended and debarred contractors by contacting the:

Department of General Services
Office of Chief Counsel
North Office Building Room 603
Harrisburg, Pennsylvania 17125
Phone: (717) 783-6472 Fax: (717) 787-9138

Section 6.04. Nondiscrimination. During the term of this Agreement, Participant agrees as follows:

(a) Participant shall not discriminate against any employee, applicant for employment, independent contractor, or any other person because of race, color, religious creed, ancestry, handicap, national origin, age, or sex. Participant shall take affirmative action to insure that applicants are employed, and that employees or agents are treated during employment, without regard to their race, color, religious creed, handicap, ancestry, national origin, age, or sex. Such affirmative action shall include, but is not limited to: employment, upgrading, demotion or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training. Participant shall post in conspicuous places, available to employees, agents, applicants for employment, and other persons, a notice setting forth the provisions of this nondiscrimination clause.

(b) Participant shall, in advertisements or requests for employment placed by it or on its behalf, state that all qualified applicants will receive consideration for employment without regard to race, color, religious creed, handicap, ancestry, national origin, age or sex.

(c) Participant shall send each labor union or workers' representative with which it has a collective bargaining agreement or other contract or understanding, a notice advising said labor union or workers' representative of its commitment to this nondiscrimination clause. Similar notice shall be sent to every other source of recruitment regularly utilized by the Participant.

(d) It shall be no defense to a finding of noncompliance with this nondiscrimination clause that Participant had delegated some of its employment practices to any union, training program, or other source of recruitment which prevent it from meeting its obligations. However, if the evidence indicates that the Participant was not on notice of the third-party discrimination or made a good faith effort to correct it, such factor shall be considered in mitigation in determining appropriate sanctions.

(e) Where the practices of a union or any training program or other source of recruitment will result in the exclusion of minority group persons, so that Participant will be unable to meet its obligations under this nondiscrimination clause, Participant shall then employ and fill vacancies through other nondiscriminatory employment procedures.

(f) Participant shall comply with all state and federal laws prohibiting discrimination in hiring or employment opportunities. In the event of Participant's noncompliance with the nondiscrimination clause of this Agreement or with any such laws, this Agreement may be terminated or suspended, in whole or in part, and Participant may be declared temporarily ineligible for further Agency or Commonwealth contracts, and other sanctions may be imposed and remedies invoked.

(g) Participant shall furnish all necessary employment documents and records to, and permit access to its books, records, and accounts by the Agency for purposes of investigation to ascertain compliance with the provisions of this Article. If Participant does not possess documents or records reflecting the necessary information requested, it shall furnish such information on reporting forms supplied by the Agency.

(h) Participants obligations under this Article are limited to Participant's activities within Pennsylvania.

ARTICLE VII **Termination and Liabilities**

Section 7.01. Voluntary Resignation or Termination of Participation.

(a) Should Participant wish to resign from its obligations and duties under this Agreement or should the Agency wish to terminate this Agreement for any reason whatsoever, the Participant or Agency must give the other written notice of this fact at least 60 days prior to the date of termination.

(b) The Agency may require the Participant to repurchase any loans which the Agency finds are not in compliance with this Agreement, the Seller's Guide or any relevant Program Guidelines.

(c) The Agency may suspend Participant's loan reservation privileges at any time for any reason and for such time as the Agency shall determine.

Section 7.02. Involuntary Termination of Participant.

(a) The Agency may immediately terminate this Agreement upon the occurrence of any one or more of the following events:

(1) If a representation or warranty of Participant to the Agency in this Agreement shall be untrue or inaccurate in any material respect.

(2) Failure of Participant to comply in all respects with its obligations under this Agreement or under any applicable Law or Regulations.

(3) Failure to comply in all respects with its obligation to meet and maintain the financial requirements required by the Agency.

(4) Failure of Participant to duly observe or perform in any material respect any covenant, condition or agreement in this Agreement, the Seller's Guide, or any relevant Program Guidelines.

(5) Failure of Participant to repurchase a Mortgage Loan or to correct defects or deficiencies with respect to Mortgage Loans in accordance with this Agreement, the Seller's Guide or any relevant Program Guidelines.

(6) 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, marshalling of assets and liabilities or similar proceeding affecting Participant or substantially all of its properties, or for the winding-up or liquidation of its affairs.

(7) Consent by Participant to the appointment of a conservator, receiver or liquidator in any insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceeding affecting Participant or substantially all of its properties.

(8) Admission in writing by Participant 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 the making of an assignment for the benefit of creditors.

(b) If any of the events specified in this section shall occur, Participant shall give written notice to the Agency of any such breach of this Agreement within two (2) days of the happening of such event.

(c) In the event of a termination pursuant to this Article VII, all loan files and all funds on deposit in connection with the Mortgage Loans shall be immediately transferred to the Agency or another Participant designated by the Agency, and a final accounting made as to all funds received by the Participant. Should Participant fail to immediately transfer the files or funds, the Agency may obtain access to Participant's Premises or wherever the files or funds are located in order to take physical possession of same. All costs and expenses incurred by Participant or the Agency pursuant to this Section shall be paid or reimbursed by Participant, or setoff by the Agency against any funds otherwise due to Participant pursuant to this Agreement.

Section 7.03. Indemnification. Participant agrees to indemnify and hold the Agency and Trustee (and either of their successors or assigns) harmless from any and all claims, demands, losses, costs, curtailments, penalties, damages and expenses (including reasonable attorney's or accounting fees) that they may incur with respect to the origination of loans by Participant pursuant to this Agreement, including but not limited to Participant's noncompliance with this Agreement, the Seller's Guide or any applicable Program Guidelines; defective loan submissions described in Section 4.07 of this Agreement; delivery of files, recording and/or delivery of loan documents; transfer of all escrows or other funds due and owing the Agency or the Trustee; or noncompliance with any Laws, regulations or directives pertaining to the origination of Mortgage Loans, consumer protection, discriminatory practices or criminal activity.

Section 7.04. Agreement to Pay Attorneys' Fees. If it is determined that Participant has failed to perform under any provision of this Agreement then the Agency or Trustee, as the case may be, to the extent permitted by Law, shall be reimbursed by Participant, on demand, for reasonable attorneys' fees and other out-of-pocket expenses.

Section 7.05. No Liability for Removal of Participant. Neither the Agency nor Trustee shall be liable in any respect for the termination of Participant pursuant to this Article VII.

Section 7.06. No Remedy Exclusive. Unless otherwise expressly provided, 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 all rights and remedies given under this Agreement or existing at law or in equity including the right of the Agency to terminate this Agreement. 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 desired.

ARTICLE VIII **Miscellaneous Provisions**

Section 8.01. Amendments, Changes and Modifications. This Agreement may only be amended, changed, modified, or altered by an instrument in writing executed by the Agency, which specifically refers to this Agreement and which is executed by Participant if adversely affected by such amendment, change, modification or alteration.

No provision, requirement or condition of this Agreement shall be deemed to have been waived, altered, amended or otherwise changed for any future issues in which the Participant has been accepted to participate unless stated in writing and duly executed by all parties.

Section 8.02. Governing Law. This Agreement shall be construed in accordance with the Laws of the Commonwealth, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such Laws.

Section 8.03. Notices. All notices, certificates or other communications hereunder shall be in writing and deemed given when delivered or five (5) days after mailing by certified or registered mail, postage prepaid, return receipt requested, addressed to the appropriate Notice Address. The Agency, Trustee or Participant may, by notice given hereunder, designate any further or different address to which subsequent notices, certificates and other communications shall be sent.

Section 8.04. Severability. In the event any court of competent jurisdiction shall hold any provision of this Agreement invalid or unenforceable, such holding shall not invalidate or render unenforceable any other provision hereof. Such invalid or unenforceable provision shall be amended, if possible, in order to accomplish the purposes of this Agreement.

Section 8.05. Further Assurances and Corrective Instruments. To the extent permitted by Law, the Agency and Participant agree that each 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 8.06. Term of Agreement. This Agreement shall continue in full force and effect for as long as Participant is originating Mortgage Loans in connection with this Program or until sooner terminated in accordance with the terms hereof.

Section 8.07. No Rights Conferred on Others. Nothing in this Agreement shall confer any right upon any person other than the Agency and Participant, provided, however, the Trustee or the Bondholders may, subject to the limitations of the Indenture, enforce any of the rights of the Agency hereunder if the Agency has committed an Event of Default under the Indenture which remains uncured.

Section 8.08. Limitation on Liability of Parties. Each party to this Agreement shall be liable under this Agreement only to the extent that obligations are imposed upon the party against whom enforcement is sought.

Section 8.09. Limitation on Liability of Directors, Officers, Employees and Agents of a Party. No director, officer, employee or agent of any party to this Agreement shall be liable to any other party or to the Bondholders for the taking of any action or for refraining to take any action in good faith pursuant to this Agreement.

Section 8.10. Incorporation by Reference. The Seller's Guide and any relevant Program Guidelines that now exist or are hereafter developed, are incorporated herein for all purposes. Such incorporation specifically includes the references to any applicable guidelines and Program manuals related to FNMA, Freddie Mac, FHA, RHS, VA and any of the relevant Mortgage Insurers.

Section 8.11. Survival of Obligations and Covenants. Notwithstanding anything to the contrary herein, the expiration of this Agreement or the termination or resignation of Participant under this Agreement shall not affect any obligations of such Participant under Section 4.07 hereof.

Section 8.12. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, however, all such counterparts shall together constitute one and the same instrument.

Section 8.13. 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 8.14. Gender. Words or any gender used in this Agreement shall be held and construed to include any other gender, and words in the singular shall be held and construed to include the plural, unless this Agreement or the context otherwise requires.

Section 8.15. Forms and Reports. All forms and reports required by this Agreement will be prescribed by the Agency from time to time and may be amended, supplemented, or replaced as the Agency shall deem appropriate.

Section 8.16. Notice of Indenture. Participant acknowledges notice of the fact that the Agency has executed an Indenture of Trust for the benefit of the Bondholders and further acknowledges that the Agency intends to subject certain of the funds derived through the Mortgage Revenue Bond Program and Mortgage Loans related thereto, among other things, to the lien of the Indenture which lien may be effective as provided by law.

Section 8.17. Limitation of Liability. Notwithstanding anything herein to the contrary, no recourse shall be had for any claim based upon any obligation or covenant in this Agreement against any incorporator of the Agency, or against any past, present or future member, officer, director, or employee of the Agency or any successor entity, either directly or indirectly, under any rule of law or equity, statute or constitution. This Agreement is entered into by the Agency under and pursuant to the provisions of the Act. No provision hereof shall be construed to impose a charge against the general credit of the Agency or any personal or pecuniary liability upon the Agency except to apply the proceeds from the sale of the Bonds and moneys received by it under the terms of this Agreement as herein provided.

Section 8.18. Assignment to Trustee. The Agency may, simultaneously with the delivery of the Bonds, assign its interest in and pledge certain moneys received under this Agreement to the Trustee as security for the payment of the principal of and interest on the Bonds. All rights of the Agency or the Trustee set forth herein shall be available to and may be assigned to such successors or assigns as either party deems appropriate and may be specifically enforceable by the Bondholders.

Section 8.19. Effective Date. This Agreement shall be effective as of the date the Participant is authorized by the Agency to proceed under the terms of this Agreement, and shall apply to all Mortgage Loans originated by Participant on behalf of the Agency regardless of when the Mortgage Loans were originated.

IN WITNESS WHEREFORE, this Agreement has been executed by the parties hereto as follows:

Witness:

(Name of Participant)

By: _____

By: _____
(Signature of Authorized Officer)

Date: _____

(Printed Name of Officer)

(Address of Participant)

Witness:

PENNSYLVANIA HOUSING FINANCE AGENCY

By: _____

By: _____
Director of Homeownership Programs

Date: _____

Pennsylvania Housing Finance Agency
Homeownership Programs Division

Addendum to Master Origination and Sale Agreement
Dated as of December 1, 2001

Article VIII – Miscellaneous Provisions is hereby amended with as follows:

Section 8.20. Confidential Member Information. The Participant and Agency agree, acknowledge, and recognize that each party is under a strict duty of confidentiality with regard to its operations and its member records, specifically any "confidential member information". Confidential member information shall specifically include all non-public member data, account or personal information, such as account numbers, access codes, account ownership and names of account owners, demographic information, and financial transactions conducted within those accounts. Participant and Agency agree to not sell, transfer or share with any third parties any confidential member information received during the ordinary course of conducting business unless the prior written consent of the other party is obtained. Notice shall first be given to the other party specifying exactly what information is to be shared and with whom it will be shared and the reason permission to disclose is being requested. Any confidential member information received by the Participant or the Agency may be used only as is necessary to complete the stated purpose of this Agreement. Notwithstanding anything in this Agreement to the contrary, the rights and responsibilities regarding confidential member information as herein stated shall survive indefinitely the termination of this Agreement.

Section 8.21. Notice of Security Breach. Notwithstanding anything in this Agreement to the contrary, Participant and Agency agree to fully disclose any breach in security resulting in or from unauthorized intrusions that may materially affect the other party. The parties also agree to report the date, time, and manner of any such material breach, the effect of the breach on the other party, and any specific corrective action that needs to be taken in response to the intrusion in a reasonably timely manner.

Section 8.22. Right to Audit. The Participant and Agency agree that each other party, shall have the right to examine and copy all writings related to any aspect of this Agreement. Upon notice, the parties agree to make these materials available to each other's designated representative(s) during reasonable business hours. The right to audit shall extend for a period of one year after termination of this Agreement.

IN WITNESS WHEREFORE, this Addendum has been executed by the Participant hereto as follows:

Witness:

(Name of Participant)

By: _____

By: _____
Authorized Officer

Date: _____

(Name of Officer)

(Address of Participant)