AGREEMENT FOR PARTICIPATION
IN SINGLE FAMILY HOUSING
GUARANTEED/INSURED LOAN PROGRAMS
OF THE UNITED STATES GOVERNMENT

INTRODUCTION

The purpose of this Agreement is to establish the Lender as an approved originator, servicer, or holder of single family housing loans for the Rural Housing Service (RHS), and to provide general terms and conditions for originating and servicing such loans.

<table>
<thead>
<tr>
<th>Agency/Department</th>
<th>Participating Lender:</th>
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<tbody>
<tr>
<td>Rural Housing Service USDA Rural Housing</td>
<td>Tax Identification No.:</td>
</tr>
<tr>
<td>Address: SFH Guaranteed Loan Division Stop 0784 Room 2550 1400 Independence Ave., SW Washington, DC 20250-0784</td>
<td>Home Office Address:</td>
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<td>Telephone No.:</td>
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At the time of this agreement, the Lender is designated as an RHS Approved Lender, and has the authority assigned to such Lenders under Agency regulations. The Agency may, in its own discretion, change such designation upon written notification to the Lender.

PART I - GENERAL REQUIREMENTS

This part sets forth the requirements for participation in single family housing guaranteed/insured loan programs of the Federal Government. Notwithstanding any other provisions of this Agreement, should there be a conflict between this Agreement and any statute or Agency rule or regulation, the latter shall prevail.

A. Duties and Responsibilities of the Agency

1. Payment on Claims. The Agency agrees to make payment on its claims in accordance with the terms of the guarantee/insurance and consistent with Agency regulations.
2. Information on Regulations and Guidelines. The Agency shall make all reasonable efforts to provide the Lender with information concerning regulations and guidelines that the Lender is required to follow to be in compliance with the Agency's guaranteed/insured loan program.
3. Personnel Available for Consultation. The Agency shall make personnel available for consultation on interpretations of Agency regulations and guidelines. The Lender may consult with Agency personnel regarding unusual underwriting, loan closing, loan servicing, and loan liquidation questions.
4. Agency Review of Lender Actions. In conducting reviews of specific actions taken by the Lender, the Agency shall determine the propriety of any decision made by the Lender based on the facts available at the time the specified action was taken. It is understood by the Agency and intended by this Agreement that the Lender has the authority to exercise reasonable judgment in performing any non-supervised act within its authority. However, the Agency reserves the right to question any act performed or conclusion drawn by the Lender which is inconsistent with this Agreement or Agency regulations or guidelines.
5. Lender Right to Appeal Adverse Actions. The Agency shall clearly state in its regulations which adverse actions taken by the Agency may be appealed by the Lender. The regulations shall provide procedures and requirements for such appeals.

B. General Requirements for the Lender

1. Eligibility to Participate. The Lender, to be an approved participant with the Agency in its guaranteed/insured loan program, must be a corporation or other acceptable legal entity, as defined by Agency regulations, with legal authority to participate in the program.
   - The Agency will determine whether the Lender meets all eligibility requirements for participation in the Agency's guaranteed/insured loan program.
   - The Lender must continue to meet the Agency's lender eligibility requirements at all times, as determined by the Agency, during the terms of this Agreement.
2. Knowledge of Program Requirements. The Lender is required to obtain and keep itself informed of all program regulations and guidelines, including all amendments and revisions of program requirements and policies.
3. Notification. The Lender shall immediately notify the Agency in writing if the Lender:
   - Ceases to possess the minimum net capital and/or an acceptable level of liquidity/working capital, as required under this Agreement;
   - Becomes insolvent;
   - Has filed for any type of bankruptcy protection, has been forced into involuntary bankruptcy, or has requested an assignment for the benefit of creditors;

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. A valid OMB control number for this information collection is 0575-0179. The time required to complete this information collection is estimated to average 4 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.
C. Underwriting Requirements

1. Responsibility. The Lender is responsible for following the requirements for originating, servicing, and collecting all loans under the Agency's guaranteed/insured loan program. The Agency shall specify which actions performed by the Lender are non-supervised acts and which acts require the Agency's review and approval. Both supervised and non-supervised actions must be performed in accordance with the Agency's regulations or guidelines.

2. Origination/Underwriting Process. The Lender shall, in accordance with Agency's regulations and guidelines:
   • Determine if loan applicants meet the general eligibility requirements of the Agency's guaranteed/insured loan program;
   • Determine whether or not the applicant is delinquent on any Federal debt. The Lender shall use private credit reports and any credit history available from a Federal database to ascertain whether the applicant has a delinquent Federal debt outstanding. If the applicant has a Federal debt delinquency, the Lender must suspend processing of the application. In accordance with Agency guidelines, the Lender may resume processing of the application if the applicant provides documentation from the Federal agency holding the delinquency that the debt has been repaid or that the delinquency has been otherwise resolved. The loan file must
D. Servicing Requirements

1. Responsibilities. Servicing to be performed by the Lender on Agency guaranteed/insured loans must be at least equal in quality to that servicing provided by a prudent institutional lender for its own portfolio of similar loans which are not guaranteed/insured by the Government. The Lender, or its authorized agent, must take prudent steps to collect and apply loan payments, protect and preserve the loan if repayment cannot be reasonably assured through the use of collections tools or loan adjustments permissible under Agency regulations or guidelines. The Lender shall maintain all records required to document or properly service a loan.

2. Payments. Payments from the borrower shall be processed upon receipt under Agency regulations or guidelines. If payments are collected for hazard insurance, real estate taxes and payment towards an annual fee, the lender must ensure escrows are sufficiently adequate to cover the cost of premiums and fees. A lender who is not able to hold funds in escrow must have a sufficient plan that ensures premiums and fees are paid.

3. Insurance. The Lender is responsible for maintaining hazard insurance if the borrower fails to do so to the extent required by Agency regulation. The Lender shall take all necessary steps, as required by Agency regulation, to maintain the collateral when the borrower fails to do so.

4. Special Requests. The Lender shall consider any requests for loan subordination, release of collateral, or reduction or temporary suspension of loan payments, in accordance with Agency requirements.

5. Delinquent Accounts. The Lender shall make a diligent effort to contact and collect payments from borrowers who fail to make payments as agreed; assure that collateral is maintained and protected; and work with borrowers to arrange a plan to cure the delinquency, if appropriate, as provided for by Agency regulations.

6. Serious Default/Foreclosure. When a mortgage is in serious default, (i.e., over 90 days delinquent), the Lender must take prompt and diligent action. Actions to obtain property title through foreclosure or voluntary conveyance, as well as all incident actions, must be consistent with applicable laws and Agency regulations. The Lender is expected to preserve and protect the property and title in accordance with pertinent laws, and Agency regulations and guidelines.

7. Loan Servicers. The Lender may transfer and/or assign the right to service single family housing guaranteed/insured loans only to servicers meeting applicable participation requirements and performance standards. Such servicers must agree to provide, either directly or the Agency or through the Lender, information necessary for the Lender to comply with the reporting requirements of this Agreement, as well as permit reviews of their operations under Paragraph E of the Part. Servicers may resell the loans only to qualified servicers.

8. Indemnification. The Lender may be required to indemnify the Agency for a loss paid if payment under the guarantee was made within 24 months of loan closing or fraud/misrepresentation was involved in connection with the origination of the loan, regardless of the age of the loan.
E. Agency Reviews of Lender's Operations
The Agency shall have a right to conduct reviews, including on-site reviews of the Lender's operations and the operations of any agent of the Lender, for the purpose of verifying compliance with this Agreement and Agency regulations and guidelines. These reviews may include, but are not limited to: audits of case files, interviews with owners, managers and staff; audits of collateral; and inspections of the Lender's and/or its agent's underwriting, servicing and/or liquidation guidelines. The Lender and/or its agents shall provide access to all pertinent information to allow the Agency, or any party authorized by the Agency, to conduct such reviews.

F. Conformance to Standards
1. Standards. The Lender shall conform to all originating, servicing, reporting, and operational standards imposed by the Agency in the execution of its guaranteed/insured loan program. Additionally, the Lender shall comply with all other applicable Federal and State laws, regulations, and guidelines.
2. Determination of Non-Conformance. The Agency shall carefully consider the facts and circumstances available when determining whether or not the Lender has acted in non-conformance with the applicable standards. The Agency's determination may be as a result of, but not limited to, a review of the following:
   - Conformance in meeting financial criteria of the Agency;
   - Adequacy in meeting the standards of the Agency, including origination, servicing, collection of fees and loan payments, and protection of collateral;
   - Adherence to the reporting requirements of the Agency;
   - Evidence that the Lender is operating in a sound and prudent businesslike manner;
   - Performance ratios of the portfolio compared to industry performance ratios for delinquency and default; and
   - Audit findings of on-site reviews conducted by the Agency of the underwriting and/or servicing performed by the Lender or the financial condition and viability of the Lender.
3. Agency Action. If the Lender is found to be in non-conformance with Federal or State law or regulation, Agency guidelines, or terms of this Agreement, the Agency reserves the right to take action in accordance with its laws and regulations.

G. Disclosure and Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transactions
This disclosure and certification is required by the regulations at 2 CFR Parts 180 and 417. Copies of the regulations may be obtained by contacting the Department of Agriculture agency offering the proposed covered transaction.
1. The prospective primary participant (the Lender) certifies to the best of its knowledge and belief, that it and its principals:
   a. are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transaction by a Federal department or agency;
   b. have not within a 3 year period preceding this proposal been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State, or Local) transaction or contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
   c. are not presently indicted for or otherwise criminally or civilly charged by a governmental entity (Federal, State, or local) with commission of any of the offenses enumerated in paragraph(1)(b) of this certification; and
   d. have not within a three-year period preceding this application/proposal had one or more public transactions (Federal, State, or local) terminated for cause of default.
2. Where the prospective primary participant is unable to certify to any of the statements in this certification, such prospective participant may attach an explanation to this proposal which the Agency will consider in determining whether to enter the transaction.
3. The prospective primary participant (the Lender) will comply with subpart C of 2 CFR part 180 as a condition of participation in the transaction, and will communicate this requirement to comply with subpart C of 2 CFR part 180 to persons at the next lower tier with whom the primary tier participant may enter into covered transactions.

PART II - DURATION AND MODIFICATION

A. Duration, Termination and Extension of Agreement
1. Termination by the Agency. This Agreement shall be valid unless terminated by the Agency, in accordance with Agency requirements.
2. Termination by the Lender. This Agreement may be terminated by the Lender at any time, in accordance with program requirements.
   a. The Lender shall remain obligated to service and liquidate the guaranteed/insured loans remaining in the portfolio. Unless and until the Agency or the Lender transfers the guaranteed/insured loans to a servicer acceptable to the Agency, all requirements concerning loan management of the Lender and rights of the Agency under this Agreement shall remain in full force and effect.
   b. The Lender shall notify the Agency of its intent to terminate the Agreement in accordance with Agency regulations.
3. Effect of Termination on Responsibilities and Liabilities. Responsibilities or liabilities of the Lender that existed before the termination of the Agreement will continue to exist after termination, unless the Agency expressly releases the Lender from any of its responsibilities or liabilities in writing. This is true whether the Agreement was terminated by the Lender or by the Agency.
B. Entire Agreement
This Agreement, Parts I through III inclusive, and any regulations or guidelines incorporated by reference, shall constitute the entire Agreement. There are no other agreements, written or oral, regarding the terms contained in this Agreement which are or shall be binding on the parties.

PART III - ENDORSEMENT
The undersigned Lender and Agency do hereby agree to the participation requirements and other provisions of this Agreement.

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<th><strong>Lender</strong></th>
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<td>USDA Rural Development</td>
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<td>______________________</td>
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<tr>
<td>TITLE:</td>
<td>Joaquin Tremols, Director</td>
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<td>______________________</td>
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<td>Single Family Housing, Guaranteed Loan Division</td>
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