

MISSISSIPPI HOME CORPORATION (“MHC”)

**HABITAT FOR HUMANITY LOAN
PURCHASE PROGRAM**

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PREAMBLE

The purpose of this program is to provide a funding source for the Mississippi-based affiliates of Habitat for Humanity (Habitat). The program consists of two partners working together to provide safe, decent and affordable housing for low income Mississippian's. The two partners are the local affiliates of Habitat and the Mississippi Home Corporation (MHC), a public-purpose corporation created by the State of Mississippi (43-33-702 et seq., Mississippi Code of 1972).

Habitat is responsible for constructing and financing the houses for eligible families. MHC provides the permanent funding by purchasing the loans from the Habitat Affiliate.

This Agreement between Habitat and MHC sets the standards by which Habitat will service mortgage loans sold to MHC under the Habitat for Humanity Loan Purchase Program.

ARTICLE I: DEFINITIONS

Allocation: The amount of funds MHC makes available to Affiliates under the Loan Purchase Program for loan purchases on January 1st of each calendar year.

Allocation Cycle: The time period for Affiliates to submit loans to MHC for purchase is based on their purchase priority month. The funds allocation cycle shall be from January 1 through December 31 of a calendar year.

Allocation Notification: A notice will be sent to each participating affiliate in December of each year advising them of the amount of funds MHC will commit for the coming allocation cycle. The notice will also advise them of their priority period for that allocation cycle.

Amortization Schedule: A schedule of payments and payment due dates of the principal and unpaid balance of the loan after each payment is made.

Eligible Borrowers: Eligible Borrowers may not earn more than \$32,560 (80% of median income for the State of Mississippi, and maybe subject to change) in total family income at the time of loan purchase. There are no restrictions on family size; however, priority will be given to loan purchases benefiting the greatest number of Mississippian's. Each mortgage loan eligible for purchase must be made to an Eligible Borrower who has not owned a home during the three-year period before the closing date of the mortgage loan.

Eligible Habitat for Humanity Affiliates: To participate as an eligible builder under the Habitat Loan Purchase Program, the affiliate must have adopted the national organization of Habitat for Humanity's Bylaws and Articles, been approved by the national organization's Board of Directors, and be functioning as an active affiliate by providing safe, decent and affordable housing to low income Mississippian's. A peer committee established by the regional director of Habitat for Humanity, International (HFHI), will identify eligible affiliates. A letter from the national organization stating that the local affiliate is authorized to act under the national Habitat for Humanity is required. Each eligible affiliate must remain in good standing with HFHI. MHC will purchase up to 50% of the affiliate's loans, provided funds are available.

Eligible Lending Institutions: To participate in the program, a lending institution must be a national banking association, a bank chartered under the laws of the State of Mississippi, a Federal National Mortgage Association approved mortgage banker, or a federal or state credit union. The term shall also include financial institutions that customarily originate or service mortgage loans or mortgages.

Eligible Mortgage: Collectively, the security instrument, the note, the title evidence, and all other documents and papers that evidence the debt.

Eligible Properties: Only properties in Mississippi are eligible. All properties must meet the property standards for the city or county having jurisdiction over the area. All properties must be

single-family houses or townhouses. MHC will not allow any mortgage loans purchased under this program to be for the purposes of financing rental property. MHC will not allow the property to be used as rental property at any time in the future. The property must be owner-occupied at all times.

Foreclosure: A legal process by a borrower in default under a mortgage is deprived of his or her interest in the mortgaged property. This usually involves a forced sale of the property with the proceeds of sale being applied to the mortgage debt.

Funds Reinvestment: Principal loan repayments from Habitat for Humanity mortgagors shall be reinvested in future loan purchases by adding them to, and in addition to, the funds allocated.

IRS: Internal Revenue Service

Interest Rate: All loans shall carry an interest rate of zero percent (0.0%).

Loan Term: The maximum loan term will be 30 years. Each loan must be secured by the subject property.

Modification: The revision of one or more of the original terms of a mortgage or mortgage note.

Mortgagee: The entity providing the financing for a mortgage loan.

Mortgagor: The borrower or owner in a mortgage transaction who pledges property as security for a debt.

Priority Period: Each Affiliate shall have a priority period for the allocation cycle as defined by MHC. The priority period shall begin the first day of the month defined as starting the priority period and continue through the end of the allocation cycle. MHC will establish each December the priority period, for each affiliate, for the next allocation cycle. If two loans are received, from different affiliates, on the same day, both within their appropriate priority period, the loan with the earliest calendar date priority period, (highest priority), shall be eligible for a funding before the loan with the later priority period. If both loans have like priority periods the first loan logged in by MHC staff shall have priority. A loan with a higher priority shall take priority over a loan that has received a commitment from MHC for funding.

ALLOCATION CYCLE PRIORITY PERIODS:

Highest	Never sold a loan to MHC before.....	January
↑	1 to 3 loans outstanding at time of purchase request.....	February
To	4 to 7 loans outstanding at time of purchase request.....	April
↓	8 to 12 loans outstanding at time of purchase request.....	June
Lowest	13 to 19 loans outstanding at time of purchase request.....	August
Priority	20 + loans outstanding at time of purchase request.....	October

Program Allocation: On January 1 of each year, MHC will allocate funds for the purchase of loans from Habitat for Humanity affiliates in Mississippi that are approved to sale loans to MHC based upon

an amount equal to ten percent (10% of MHC's net audited profits for the preceding fiscal year). The net audited profits is the sum of operating income (loss) and transfers in (out) of the General Corporate Fund in Schedule 2 of the audited financial statements.

Purchase Priority: MHC shall establish the purchase priorities for funding of loans from Habitat for Humanity affiliates during the MHC allocation cycle. An affiliate may only submit a loan for reservation and purchase the first day of the affiliate's identified priority period, or anytime thereafter during the current allocation cycle. If a loan is reserved, MHC will cancel the reservation if the loan is not funded within three (3) months from the date of the reservation. The loan may be resubmitted with a new reservation fee provided it is resubmitted during an allowable priority period within the allocation cycle.

Purchase Price: Loans shall be purchased by MHC at ninety-nine percent (99%) of the face value of the then outstanding principal balance of the original note. The second loan purchased from an affiliate during the MHC allocation cycle shall be purchased at ninety eight and one half percent (98.5%) and the third and all subsequent loans from the same affiliate during the same MHC allocation cycle shall be purchased at ninety eight (98%) of the then outstanding principal balance of the original note. All cost of transfer of title, recording, and any other fees or charges shall be the responsibility of the selling affiliate.

REO: Real Estate Owned - a term frequently used to describe ownership of real property acquired due to foreclosure.

Reservation Fee: A non-refundable reservation fee of \$50.00 shall be paid with each loan reservation made and is to be submitted with the HAB001 form.

Satisfaction of Mortgage: The recordable instrument prepared by a Mortgagee to show a mortgage debt has been paid in full.

Servicer: The Housing Partner responsible for the collection of payments and management of operation procedures related to a mortgage.

Special Forbearance: The act of refraining from legal action even if the mortgage is in arrears. It is usually granted only when a mortgagor makes a satisfactory arrangement to pay the arrears.

ARTICLE II: PROGRAM GUIDELINES

Reservation Procedures:

Each Habitat chapter must submit a written request for a reservation from MHC to reserve a loan for purchase, using the MHC Reservation request (HAB001), along with a \$50 non-refundable loan reservation fee (no personal checks allowed). The Affiliate has no more than 90 days from the date of reservation to submit the Reservation and Commitment package to MHC. MHC will issue its Commitment to Purchase based on availability of funds, an acceptable property inspection by MHC's in-house inspector and recommendation of Habitat's regional support manager. The Affiliate must contact MHC to set-up an appointment to inspect the eligible property.

Loan Submission Procedures:

The following documents must be submitted within 90 days from the date of reservation, with a copy of the Reservation Request Form (HAB001) and completed original Loan Reservation Commitment Checklist Form (HAB002), to purchase a loan:

1. Copy of Reservation form (HAB001),
2. Non-Refundable Reservation Fee of \$50.00
3. Copy of the First Promissory Note
4. Copy of the recorded First Mortgage Deed of Trust/Rider(s)
5. Copy of all Secondary mortgage-financing documents
6. Copy of the settlement/closing statement (HUD-1)
7. Original Certificate of Title or current Title Opinion Letter from Attorney
8. Copy of the Title Insurance Policy, if available
9. Copy of payment history/ledgers showing timely payments for previous consecutive 6 months
10. Copy of Hazard/Flood Insurance Policy with correct endorsements
11. Copy of the Appraisal or a current picture of the property (**property must meet the property standards for the city or county**)
12. Copy of termite inspection (**less than (1) one year old**)
13. Original executed current verbal written re-verification of current household income or employment on affiliate's letterhead with affiliate signature
14. Current copy of pay stub(s) (within 30-days of loan submission)
15. Copy of credit documents the Affiliate used to determine borrower's eligibility (e.g. copy of application, credit report, etc.)
16. Approval letter from Affiliates Habitat International Regional Support Manager and/or Board authorizing the sale of the loan to MHC and confirming Affiliate is in good standing with Habitat International.

MHC Conditional Purchase Letter:

Upon review and approval, MHC will issue a conditional purchase form (HAB003) requesting the following documentation:

1. Original Note endorsed to the Mississippi Home Corporation.
2. Original recorded Assignment of Deed of Trust assigning Mortgage to the Mississippi Home Corporation.
3. Original Deed of Trust.
4. Habitat Affiliate's latest bank statement reflecting sufficient funds to cover six months of loan payments.
5. Original executed Authorization Agreement for Automatic Loan Payment Form

Loan Purchasing Procedures:

If funds are available during the Allocation Cycle and MHC has approved the loan for purchase, upon receipt and approval of the conditional purchase package, the loan will be purchased by MHC. Loans shall be purchased by MHC at ninety-nine percent (99%) of the face value of the then outstanding principal balance of the original note. The second loan purchased from an affiliate during the MHC allocation cycle shall be purchased at ninety eight and one half percent (98.5%) and the third and all subsequent loans from the same affiliate during the same MHC allocation cycle shall be purchased at ninety eight (98%) of the then outstanding principal balance of the original note.

MHC will notify the local Habitat affiliates of its acceptance/rejection of the loan package within 30 days of receiving the package. Any additional documentation that may be required could delay the funding of the loan.

MHC will fund these loans on a monthly basis. All loans will be funded, upon receipt of conditional commitment conditions between the 15th and the 30th of each month to allow for current month payment posting. Each Habitat affiliate will be responsible for establishing its correspondent relationship with a lending institution of its choice, if needed. MHC will purchase the loan from the Habitat Affiliate upon assignment to MHC and issue to the Affiliate a Purchase Certification Letter, a check for the loans' outstanding principal balance, and an amortization schedule.

Purchase Proceeds:

Habitat will use the proceeds from the sale of any loan to further its goal of providing safe, decent and affordable housing to low income Mississippian's. The proceeds may not be used for any purpose other than housing. The proceeds from the sale of all mortgage loans to MHC must be used to provide owner-financing of residences and construction financing that may already be in place.

ARTICLE III: ROUTINE SERVICING DUTIES

Habitat for Humanity (hereinafter referred to as "Servicer") will be responsible for the protection of Mississippi Home Corporation's (MHC) interests in the mortgages, which it has contracted to service and shall indemnify and hold MHC harmless from any loss, damage, or expense.

Loan Servicing:

Each Habitat affiliate shall retain and be responsible for all loan-servicing duties with regard to each loan sold to MHC. The Habitat affiliate will be responsible for collecting payments, undertaking foreclosure proceedings that may be necessary, managing escrow accounts for taxes and insurance, assuring that adequate hazard insurance is maintained on the property, and seeing that ad valorem taxes are paid annually. No servicing fees will be earned by Habitat for performing the servicing duties. Failure to collect the payments from the homeowner does not relieve the local Habitat affiliate of its' monthly payment responsibility to MHC.

Habitat has agreed upon sale of the loans to MHC to guarantee that on a monthly basis all payments will be made and passed through to MHC. Habitat will maintain a payment reserve account with a balance sufficient to support a minimum of six (6) monthly principal payments on each loan sold to MHC. Habitat has also agreed to keep proper books, records and accounts in accordance with accepted accounting standards. Habitat will make such books and records available for inspection by MHC during reasonable hours and under reasonable conditions. MHC shall have the right to require Habitat to furnish said documents, at Habitat's expense, to determine that the provisions of this program have been satisfied.

Payment Requirements:

Each Affiliate must make available for debit monthly principal payments no later than the first day of each month. MHC requires all loans purchased under its' Habitat Loan Purchase Program to have all loan payments automatically deducted from the Affiliates Bank Account. MHC will automatically debit the affiliates bank account on the 5th business day of each month. An Authorization Agreement for Automatic Payment Form (HAB004) will be completed by the affiliate prior to MHC purchasing the loan. Any additional principal payment(s), paid by the borrower, must be manually submitted to MHC on a monthly basis and properly accounted for on the servicer's books.

Collection:

The Servicer must, to the best of its ability and with due diligence, promptly collect all monthly payments due under the terms of an Eligible Mortgage. The monthly payment includes payment toward principal, real estate taxes, special assessments and fire, hazard and/or flood insurance as applicable.

Escrow Account:

The Servicer shall deposit the applicable portion of payment in an escrow account for taxes and insurance. Such accounts shall be held in trust for the benefit of MHC and the Eligible Mortgagor(s) and shall be maintained in a depository whose accounts are insured by the Federal Deposit Insurance Corporation (FDIC) and approved by MHC.

Escrow Analysis:

At least annually, the Servicer must review and analyze all escrow accounts to determine the adequacy of the monthly contributions. Following the review, the Servicer should make any necessary adjustments in the monthly contribution to assure the accumulation of sufficient funds to meet all anticipated obligations.

Payment of Escrow Items:

The Servicer shall pay from the Mortgagor's escrow funds account, all taxes and insurance premiums prior to the expiration of any discount period and prior to penalty or termination dates. If the funds held in the Mortgagor's escrow funds account are insufficient to pay taxes and insurance premiums when due, the Servicer shall advance its own funds in an amount which, when combined with the amount in the Mortgagor's escrow funds account, will be sufficient to make the full payment due. The Servicer may collect the deficiency from the Mortgagor.

Waiver of Escrow Requirements:

Under no circumstance will MHC allow a waiver of the escrow requirements for tax and insurance disbursements.

Annual Statements to Mortgagors:

The Servicer shall provide each Mortgagor, without charge, an annual statement of the Mortgagor's escrow account, setting forth in summary form the balance of the account at the beginning of the year, the total amount deposited into the account by the mortgagor during the year, the amount and nature of disbursements made from the account during the year, and the account balance at year end. In addition, the Servicer shall provide each Mortgagor, without charge, a statement at calendar year end of the total amount of ad valorem taxes paid during the year.

In addition, if the Mortgagor so requests, the Servicer shall provide without charge, a detailed ledger analysis of all transactions affecting the borrower's mortgage payment records and escrow account, showing individual dates, amounts and purpose of each debit and credit to the accounts including the beginning and ending balances.

Change of Ownership:

Loans under the Habitat program are assumable with prior approval of MHC and HFH affiliate. The Servicer must request the approval of the assumption in writing in addition to providing appropriate verification that the prospective purchaser meets the necessary requirements of the Loan Purchase Program. The Servicer will repurchase the loan from MHC within 60 days of written notification if a property is sold to an ineligible borrower.

Advances for Emergency Repairs:

If a property inspection indicates emergency repairs are required to protect the mortgaged property, the Servicer is required to expend the necessary funds, at the Servicer's expense, to bring the property to an acceptable inhabitable standard.

Hazard Insurance Requirements:

In accordance with the Servicing Agreement, the Servicer agrees to indemnify MHC for any loss suffered by MHC as a result of failure to maintain in effect, with respect to each mortgaged premises, hazard insurance meeting the following minimum requirements:

- a. Term: Policies must be for a period of at least 1 year.
- b. Rating: Policies must be insured by an insurance carrier approved to do business in Mississippi.
- c. Fire and Extended Coverage: Policies must afford protection against loss or damage from fire and other hazards covered by the standard extended coverage endorsement in an amount at least equal to the unpaid principal balance of the Eligible Mortgage from time to time outstanding or the maximum insurable value of the improvements, whichever is less.
- d. Mortgagee Clause: Policies shall contain a standard mortgagee clause endorsed in favor of MHC and/or its successors or assigns, as its interest may appear or endorsed in favor of Servicer and/or its successors or assigns, as its interest may appear.
- e. Flood Insurance: If the area in which the mortgaged property is located is one identified by the Secretary of Housing and Urban Development as an area having special flood hazards and the sale of insurance has been made available under the National Flood Insurance Act of 1968, such flood insurance must be maintained in the amount of the outstanding principal balance of the loan or the maximum limit of coverage available under the Act, whichever is less.
- f. Other Hazards: Where the Servicer is aware that a mortgaged property is exposed to any appreciable hazard against which Fire and Extended Coverage does not afford protection, the Servicer must advise of the nature of such hazard and the additional insurance coverage, if any, which should be obtained against such hazard. MHC may require a Servicer to obtain

such additional coverage, in accordance with the terms of the mortgage, as MHC may determine necessary.

- g. Deductible: Policies containing a deductible clause up to \$250.00 is acceptable where such a provision is mandatory or customary.
- h. Policy Possession: Servicer shall maintain possession of the original copy of hazard insurance policies and endorsements thereto. The Servicer shall give written certification to MHC each year that insurance policies on all Eligible Mortgages are in effect.
- i. Insurance Correspondence: It shall be the responsibility of the Servicer to notify the insurance companies to deliver all insurance loss drafts, notices, policies, billings, etc. directly to the Servicer rather than to MHC.
- j. Uninsurable Properties: Property is ineligible for the Habitat For Humanity Loan Purchase Program unless the Servicer secures the required coverage.

Hazard Insurance Claims:

Insured Losses:

Servicer shall be fully responsible for the disbursement of insurance loss settlements. Generally, this responsibility includes but is not limited to the following:

- a. Strict compliance with the provisions relating to such settlements as provided for in the mortgage.
- b. To receive reports of hazard insurance losses and ensure that proof of loss statements are properly filed.
- c. If applicable, to assure the restoration and rehabilitation of the damaged property in cooperation with the mortgagor. All funds received from hazard insurance policies covering payment for insurance losses of real property shall be applied to the restoration of the mortgaged property or in reduction of the outstanding balance of the Eligible Mortgage.
- d. To collect, endorse and disburse the insurance loss proceeds, arranging for progress inspections and payments, if necessary.
- e. To see that the priority of the lien of the mortgage is preserved by complying with all lien laws. Such precautions should include assurances that the loss proceeds are used to pay for the restoration or rehabilitation work, releases or waivers of liens as required by law are obtained, and all other actions necessary to avoid the possibility of labor, materialmen or mechanic's liens being filed against the property.

- f. Without regard to the amount of the claim, Servicer shall give MHC notice of any claim which is contested by either the insurer, or the mortgagor and the Servicer shall not enter into, or incur legal expenses for, litigation with regard to a claim without the express written consent and direction of MHC.
- g. MHC does not require that it be named as payee on any insurance loss drafts. The Servicer, however, must be named on all drafts, irrespective of the amount of the loss. The Servicer must have an effective system acceptable to MHC for the control and disposition of such funds, clearly identifying the mortgagor's account.
- h. Property damage of less than \$2,500. Servicer shall visually inspect the completed restoration of property that suffered damage less than \$2,500 and satisfy itself that all repairs are completed prior to distribution of funds.
- i. Property damage of \$2,500 or more. Servicer shall visually inspect the completed restoration of property which suffered damage exceeding \$2,500 and shall submit to MHC, prior to distribution of the insurance proceeds, a report of a satisfactory completion of repairs signed by a responsible employee/officer of the Servicer.

Uninsured Losses (Earthquake, flood, tornado, etc.):

When a disaster occurs resulting in uninsured losses, Servicer shall take action to protect MHC's interest as follows:

- a. Promptly ascertain the extent of damage to the security.
- b. Protect abandoned properties against vandalism and the elements.
- c. Forward a complete report of the funding to MHC, along with recommendations as to what action should be taken to protect the interest of MHC and the mortgagor, if not otherwise authorized by this Agreement.
- d. Closely communicate with mortgagors for the purpose of counseling them and providing assistance in the way of forbearance, modification, etc., where warranted, and familiarize mortgagors with any disaster relief programs that are available.

Payment In Full:

- a. Servicer shall determine and accept the amount required to pay a mortgage in full. No prepayment penalty will be assessed.
- b. Funds in the mortgagor's deposit account held as unapplied payments should be taken into consideration in determining the amount to be collected from the mortgagor. However, if this is not practical, the total of such funds shall be refunded to the mortgagor promptly in a separate transaction.
- c. Servicer is to have recorded, at the county courthouse in which the real property is located, the properly executed Satisfaction of Mortgage. Funds for recording may be collected at the time the loan is paid in full. The recorded satisfaction and other canceled documents should be sent to the person paying the loan in full.
- d. Partial Prepayments. (Curtailments) Additional principal payments (principal payment or curtailment in addition to a regular principal installment) may be accepted by the Servicer at any time. The Servicer should accept curtailments in adherence with an amortization schedule so that the amount applied to principal shall reduce the balance to a scheduled balance on the amortization schedule.

ARTICLE IV: SERVICING DELINQUENT ACCOUNTS

General:

The Servicer is responsible for the protection of MHC's investment in the mortgages by maintaining the maximum possible number of mortgages in a current status. Without jeopardizing the interests or legal rights of MHC, the Servicer is to deal quickly and effectively with those mortgagors who are delinquent to bring the accounts current in the shortest possible time.

Particular attention should be paid to the timely receipt of payment from new borrowers. Every effort should be made with new mortgagors to establish a high priority for the timely payment of the monthly installment. All one-installment delinquencies should be given prompt attention since it becomes increasingly more difficult to restore a mortgage to a current condition as the number of past due installments increases. As soon as possible after non-payment of an installment, the Servicer should endeavor to learn the reason(s) for the delinquency so that the plan for curing the delinquency can be mutually agreed upon at an early date to provide time to affect the plan.

Guidelines for Dealing With Delinquencies:

Listed below are suggested guidelines for dealing with delinquencies in home mortgages. Some Servicers may employ procedures that differ from those outlined below. MHC will raise no objection to Servicers particular procedures so long as such procedures are adequate and efficient in dealing promptly with delinquencies. Servicers are encouraged to vary their collection programs to fit individual circumstances and avoid the establishment of a fixed routine which may be ineffective in dealing with repeat delinquent borrowers. Good mortgage servicing places a heavy reliance on personal contact, on the phone and in the field. Form letters and notices, while having a place in a servicing program, are not as effective as personal contact.

a) Mortgages Having Payments 1 to 60 days Due and Unpaid:

1. The Servicer should review each loan not later than the 15th day,
2. The Servicer should mail a late notice between the 15th and 18th day of delinquency,
3. The Servicer should make telephone contact 5 days following the late notice,
4. If a satisfactory response is not obtained, the Servicer should make personal contact, and continue to follow with notices, letters, telephone calls, and personal contacts, until the account is current.

b) Mortgages Having Payments more than 61 Days Due and Unpaid:

Servicers are expected to make every effort to make arrangements to cure the delinquency. Unless the mortgagor is permanently absent, a Servicer should have, by this time, held at least two face to face interviews with the mortgagor to establish: (1) the reason for the continued default, (2) whether the reason is temporary or permanent, and (3) the attitude of the mortgagor toward the debt. This requires the determination of all sources of income and the existence of any other debts. On or before the due

date of the fourth unpaid installment, the Servicer should inspect the property and reach a determination whether (i) to foreclose, or (ii) to allow a definite period for the mortgagor to bring the mortgage current or sell his property to realize any equity or (iii) to take other appropriate action.

c) Report by the 120th Day:

Should the mortgagor fail to make payment on or before the 120th day, the Servicer must report to MHC the results of the property inspection and should recommend a course of action appropriate to cure the default. Regardless of the recommendation made, the Servicer must fully document all servicing activities to date and indicate the reason for recommending the course of action chosen.

Acceleration:

Where a mortgagor is in default and the Servicer has exhausted all reasonable means of inducing the mortgagor to pay on time, the Servicer should recommend acceleration of the mortgage maturity in accordance with the terms of the mortgage. The basis for the recommendation must be fully substantiated. Any proposal made by the mortgagor for reinstatement with payment of a lesser amount than the full amount of the indebtedness should be referred to MHC with the Servicer's recommendation.

Abandonment:

In all cases of abandonment, a Servicer should attempt to locate the mortgagor and ascertain the reasons for abandonment, and take appropriate action to protect the property in order to avoid waste, damage, and vandalism (including obtaining, where necessary, a vacancy permit on the hazard insurance policy). The Servicer should immediately report to MHC the full results of its investigation and include a recommendation of the action that should be taken. No later than 30 days after sending the required demand letter to the mortgagor, the Servicer must advise MHC of its findings and recommend disposition of the mortgage. The Servicer is not to assign any mortgage without MHC's express written authorization. Foreclosure may be initiated on abandoned properties only after the Servicer obtains MHC concurrence in writing.

Special Relief Provisions:

The Servicer should employ various forms of relief available where possible rather than recommending termination of the mortgage. These relief provisions should not be granted unless there is reasonable expectation that the relief granted will result in bringing, and maintaining, the mortgage current. Prior to granting relief as herein provided, Servicer should inspect the property and discuss face-to-face with the mortgagor(s) the reason for the default. Prior approval by MHC is required for all relief provisions involving Special Forbearance, or Modification.

Special Forbearance:

Special Forbearance is normally a formal arrangement whereby a mortgagor is allowed to reduce or suspend regular monthly installments for a specified period in the anticipation that such action will prevent unnecessary foreclosure and result in curing the delinquency. It may be considered when a default is due to death, illness, natural disaster against which the mortgagor was not adequately protected by insurance, or curtailment of income which results from circumstances beyond the control of the mortgagor. The Servicer should consider execution of a Special Forbearance Agreement only when there is reasonable expectation that the mortgagor will, in the near future, be capable of repaying the delinquency and maintaining monthly payments on a current basis.

Servicer should propose a Special Forbearance Agreement only after having reviewed in detail the mortgagor's payment history, current financial condition, obligations, and expected future source of income. Repayment terms must be reasonable and realistic in relation to the mortgagor's anticipated income and other obligations.

Should the mortgagor fail to adhere to the terms of the Special Forbearance Agreement, the Servicer should immediately recommend further action.

Modification, (Sometimes called recasting, extending or reamortizing the mortgage).

A modification or extension of a mortgage involves a change in one or more of the provisions of the mortgage. Modification is neither a privilege to be used at will by the mortgagor nor a device to be used solely to eliminate delinquencies. Modification of the mortgage terms may, however, be used to provide relief to the mortgagor who is unable to meet the original terms of the mortgage due to financial hardship caused by adverse circumstances. Servicer should never recommend to MHC that a default be cured by foreclosure without first giving consideration to the possibility that the default could be cured by meritorious use of a modification agreement. Such action should be confined to cases in which modification of the mortgage terms will enable the mortgagor to maintain the account in a current condition and prevent the loss of a home due to adversities. Acceptable candidates for modification agreements include mortgagors whose income, have been permanently affected by accident, illness, incapacity or death of the principal wage earner, and mortgagors whose income has been temporarily curtailed or reduced. Other individual cases may warrant consideration.

When changes in the terms of a mortgage appear warranted, the Servicer shall propose to MHC the terms of the modification. MHC reserves the right to approve or deny such proposals, at its sole discretion.

The effective date of a modification will be the date the new amortization period begins. Sufficient time should be allowed to obtain approval from MHC.

ARTICLE V: LOAN LIQUIDATION PROCEDURES

General:

Servicers should not recommend actions to terminate a mortgage until every reasonable effort has been made to arrive at some other solution through forbearance, modification, etc. A decision to recommend foreclosure should be made by the Servicer only after a personal face-to-face interview with the mortgagor, an inspection of the property, and a complete review of the individual circumstances surrounding the default. When a Servicer recommends foreclosure to MHC, it must comment as to why the default cannot be cured by available relief provisions, rather than by termination of the mortgage through foreclosure.

When the mortgagor displays a disregard for the mortgage obligation, accepted servicing practices require the Servicer to make prudent recommendations to MHC including liquidation action where necessary, to protect its investment. Such recommendations are due on or before the due date of the fourth unpaid installment.

Servicer should actively continue all efforts to cure the default until written approval of the recommended action has been received from MHC.

If MHC approves the Servicer's recommendation for foreclosure, MHC will forward all original mortgage documents to the Servicer along with the foreclosure approval. Upon written approval of the foreclosure recommendation, the Servicer is to forward the file to an MHC approved attorney for foreclosure.

Expense During Foreclosure:

During the foreclosure process, funds in the mortgagor's escrow account may be used to pay hazard premiums, taxes, and other assessments, which may become due. Should the funds in the mortgagor's escrow account be inadequate to cover these items, the Servicer shall advance its own funds. The Servicer shall be responsible for its reasonable out-of-pocket expenses incurred and any advances by Servicer in prosecution of foreclosure or other proceeding.

Bidding Instructions:

The Servicer is required to issue bidding instructions to the attorney conducting the foreclosure sale. The Servicer must have the bid amount approved in writing by MHC prior to the foreclosure sale.

Property Management Responsibilities During Foreclosure:

Servicer shall be responsible for the general management of all properties under foreclosure until custody thereof has been assumed by the Servicer. If the property is otherwise disposed of, Servicer shall take whatever action is necessary to protect the security for the mortgage including management, maintenance, and in the event the property is vacant, protection against vandals and the elements. This responsibility includes periodic inspections by the Servicer to assure that the property is not being damaged by vandals or the elements.

Foreclosure Monitoring:

Servicer shall incorporate in its internal procedures a thorough and effective system for monitoring the foreclosure progress. Such system should assure that each procedural step of a foreclosure case is completed within a reasonable time.

As a part of its monitoring system, the Servicer should have the ability to identify the status of each case, and should maintain well-documented and complete records on all field contact. Such documentation should include, among other things, notations of oral conversations, records of all requests to correct delays or other deficiencies, reports explaining delays, as well as any other documentation.

MHC does not specify a particular system used for monitoring foreclosure. However, the Servicer will be held wholly responsible for any losses.

Reinstatements:

Even though foreclosure proceedings may have been initiated, upon recommendation by the Servicer, proposals providing for reinstatement in full, including advances, legal fees, all delinquencies, etc. may be accepted by the foreclosing attorney but may not be declined without approval from MHC. Upon receipt of certified funds, Servicer shall take action to prevent additional foreclosure costs and expenses from being incurred. When a loan is reinstated the foreclosing attorney should be instructed to withdraw foreclosure proceedings and return all mortgage documents to the Servicer. Servicer should notify MHC and return the original mortgage documents.

When during foreclosure the mortgagor offers to pay an amount less than the full delinquency (including advances, legal costs, etc.), the Servicer shall advise the foreclosing attorney who will ascertain the amount of foreclosure costs and expenses that have been or will be incurred if the offer is accepted. The foreclosing attorney must obtain MHC's approval prior to acceptance. Servicer's advice to MHC shall include a recommendation whether the foreclosure action should be continued or should be dismissed and, if dismissed, how the remaining delinquency will be cured.

If there exists the possibility of sale of a property to a third party during foreclosure, the Servicer shall so advise the mortgagor and shall make a determination as to the feasibility of a mortgage assumption and recovering any advances, legal fees or other costs incurred during foreclosure.

Reports from Servicer to MHC during Foreclosure:

Servicer is responsible for processing the foreclosure in accordance with the provisions of all applicable laws and shall follow each step of the foreclosure process to assure completion of the proceedings at the earliest possible date.

Title Evidence:

An owner's title policy should be obtained on all foreclosed properties.

Acquired Property:

Servicer shall make regular inspections of the conditions and occupancy of each acquired property and report to MHC at least monthly. Servicer's responsibility for the maintenance, management, security of the property, assistance to MHC in the sale of the property, as well as all other facets of servicing an acquired property, shall continue until title to the property has been transferred to a third party or MHC has relieved Servicer of its responsibility by notification in writing.

Foreclosure Reporting:

Each year, by January 31, Servicer shall submit a report of all foreclosure(s) and abandonment(s) [IRS form 1096 and 1099A] to the IRS, to each affected borrower and to MHC. Copies of Form 1099A may be used as Servicer's statement to borrower and copies of 1096/1099A may be used as Servicer's statement to MHC.

Maintenance and Security:

The Servicer should use any funds remaining in the mortgagor's escrow deposit to pay taxes, insurance premiums, cost for protection of property and other related costs. If the escrow balance is not sufficient to cover these expenses, the Servicer must advance its own funds. The Servicer must maintain any insurance required, effect the proper endorsements naming MHC as loss payee and notify the insurance carrier of the changes in occupancy and ownership. If the REO is vacant, the Servicer must investigate the availability and cost of vandalism and malicious mischief insurance and provide a recommendation to MHC.

ARTICLE VI: MISCELLANEOUS

Transfer of Servicing Rights:

MHC will consult with HFHI regional director prior to the assignment of any loan servicing arrangement other than a Habitat organization. MHC will give preference to Habitat affiliates in selecting alternative Servicers. After such consultation, MHC will retain the right to transfer the loan servicing functions to another entity or to bring these functions in-house upon the happening of any of the following events:

- (a) The Servicer has assigned or delegated its duties or rights hereunder without MHC approval.
- (b) Any representation or warranty of the Servicer shall be found to be false in any material respect.
- (c) The Servicer shall be the subject of a decree of any court or order of any supervisory authority for the appointment of a conservator or receiver or liquidator, or shall consent to the appointment of a receiver of all or substantially all of its property, or shall make a general assignment for the benefit of its creditors, or shall admit in writing its inability to pay its debts as they become due, or shall be adjudged a bankrupt or insolvent by a court of competent jurisdiction appointing a receiver, liquidator or trustee of the Servicer or of all or substantially all of its property or approving any petition filed against the Servicer for its reorganization, and such adjudication or order shall remain in force or unstayed for a period of 60 days; and
- (d) The Servicer shall fail to perform any of its duties hereunder and shall fail, within 30 days after written notice from MHC, to correct or cure such failure.

If this Agreement shall be terminated with respect to the Servicer under the provisions of this Section, the Servicer shall make a full accounting and transfer and deliver to or on the order of MHC all documents and moneys relating to the Eligible Mortgages which are then in its possession under its custody or control and thereupon all rights and duties of the Servicer shall cease. Notwithstanding any provision in this Agreement to the contrary, MHC shall not be liable in any respect for the termination of the Servicer for cause or owe any duty to such Servicer if terminated.

Buyback/Repurchase Provisions:

The Servicer shall have the right to buyback any loan sold to MHC, subject to mutual consent and benefit of the Servicer and MHC. In addition, MHC may require repurchase of any loan found to contain false representations in any material respect. The Servicer will be given a 60-day notice of the repurchase requirement.

Amendments:

MHC reserves the right to publish and distribute to the Servicer supplements or amendments to the Servicers Agreement. MHC retains the right to revise these guidelines and to discontinue the program at any time without prior notice.

In witness whereof, this Agreement has been executed this:

Attest: Habitat for Humanity

By: _____	_____
_____	_____
(Printed name of Affiliate President)	(Printed Name/Address of Habitat Affiliate)

	(Telephone Number)

Date: _____ day of _____, 20 ____

Attest: Mississippi Home Corporation

By: _____	735 Riverside Drive
Dianne Bolen, Executive Director	Jackson, MS 39202
	(601) 718-4642

Date: _____ day of _____, 20 ____

HABITAT LOAN PURCHASE PROGRAM DOCUMENTS

DOCUMENTS:

RESERVATION REQUEST.....	FORM# HAB001
LOAN COMMITMENT CHECKLIST.....	FORM# HAB002
CONDITIONAL PURCHASE PACKAGE.....	FORM# HAB003
AUTHORIZATION FOR AUTOMATIC PAYMENTS.....	FORM# HAB004
ASSIGNMENT OF MORTGAGE.....	FORM# HAB005
SAMPLE NOTE ENDORSEMENT.....	EXHIBIT A