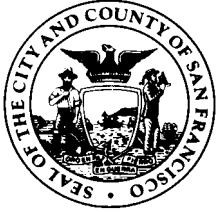


**MAYOR'S OFFICE OF HOUSING
CITY AND COUNTY OF SAN FRANCISCO**



EDWIN M. LEE
MAYOR

OLSON LEE
DIRECTOR

Title Company Name
555 Main Street
San Francisco, CA 94105
Attn: Ms. Escrow Officer

RE: Borrowers: **Mary Sample and John Sample**
123 Main Street, Unit 2, San Francisco, CA 94124
BMR DALP Loan# BMR-DALP-12-0000
Escrow # 12-012345678-EO

Dear Escrow Officer:

These instructions are delivered to you on behalf of City and County of San Francisco (the "City") pursuant to purchase of the above unit (the "Property") **Mary Sample and John Sample** (the "Borrower"). This letter and the attached documents will confirm the Borrowers' eligibility under the Below Market Rate Downpayment Assistance Loan Program (BMR DALP). This package contains the BMR DALP for the final closing. The City's BMR DALP subsidy check for a CalHome BMR DALP loan in the amount of **\$36,000** will be sent to you after you confirm that the Borrower has signed the enclosed BMR DALP documents and your readiness to close escrow in compliance with these instructions and you deliver a copy of estimated closing statement acceptable to the City.

In connection with this loan, the City instructs and authorizes you to take the following actions:

A. Closing Documents:

In connection with this escrow, the City will require certain documents to be signed by Borrower and a document prepared by you for City's signature, as follows:

1. The enclosed City Note in the amount of **\$36,000** must be dated and executed by the Borrower as maker for the benefit of the City (the "DALP Note"). The original of the BMR DALP Note should be returned to the undersigned.
2. The enclosed Deed of Trust (the " BMR DALP Deed") to secure the BMR DALP Note, dated as of the date executed by the Borrower, must be executed and acknowledge by Borrower, as trustor, for the benefit of the City. The BMR DALP Deed should have a **third lien position** against the Property. A conformed copy of the recorded Deed of Trust should be sent to the undersigned after closing, as described below.
3. You must prepare a "Request for Copy of Notice of Default" on behalf of the City and County of San Francisco c/o Mayor's Office of Housing for the **Sample Bank N.A.** deed of trust described below for City's signature. A conformed copy of the recorded Request for Copy of Notice of Default should be sent to the undersigned after closing, as described below.

B. Closing Procedures

Please take the following actions with respect to the BMR DALP documents:

1. Have the BMR DALP Note and the BMR DALP Deed duly executed and, as to the BMR DALP Deed, acknowledged, by Borrower. Attach copy of executed BMR DALP Note to the BMR DALP Deed that is to be recorded.

2. You are authorized to record the BMR DALP Deed in the Official Records of San Francisco County only when each of the following conditions has been fulfilled AND only in a junior position to the primary lender's first deed of trust to secure a loan by **Sample Bank N.A.** and the City's second deed of trust to secure the City's Residential Inclusionary Affordable Housing Program (the "Program") loan.
 - a. You are in a position to issue an ALTA Lender's Policy of Title Insurance with ALTA endorsement Form 1 Coverage insuring the validity and third priority of the BMR DALP Deed in the full principal amount of the BMR DALP Note, with the **Sample Bank N.A.** deed of trust in first position and the Program deed of trust in second position.
3. The City will not be responsible for any escrow or recording fees associated with the completion of these closing documents.
4. After close of escrow, please return the original executed BMR DALP Note, a conformed copy of the recorded BMR DALP Deed, the original BMR DALP Policy a copy of the final settlement statement (HUD-1), and conformed copies of the recorded grant deed transferring title of the Property to the Borrower and the recorded **Sample Bank N.A.** deed of trust, a copy of the **Sample Bank N.A.** promissory note and any other liens recorded against the Property to our office at the following address: City and County of San Francisco, c/o Mayor's Office of Housing, 1 South Van Ness Avenue, 5th Floor, San Francisco, CA 94103.
5. Please indicate your receipt and acceptance of these instructions by signing the enclosed copy and returning it to the Mayor's Office of Housing to the attention of Rey Javier.

C. General Instructions

1. The Title Company must assure itself that all conditions referred to above have been fulfilled and must strictly adhere to the procedures listed above in closing escrow.
2. If you are unable to comply with these instructions, or if there are to be any changes with respect to the transactions contemplated hereby, please contact the Mayor's Office of Housing at (415) 701-5551 before proceeding.
3. The City and County of San Francisco, Mayor's Office of Housing is extending a BMR-DALP loan, a CalHome Mortgage Assistance Loan program to the homebuyer. No lender or seller credit is allowed with this transaction. Settlement with any credit to the buyer exceeding the amount of \$250.00 must be explained to the Mayor's Office of Housing in writing; credit above \$250.00 must be applied towards the principal of the first mortgage loan, and evidence must be submitted to MOH.
4. You will also receive \$350 associated with this loan. Escrow is requested to prepare a check payable to the non-profit housing counseling agency as outlined in the email memo corresponding with these instructions. Please return copy of check to MOH, attention: BMR Program.

The City and County of San Francisco reserves the right to revoke or amend these instructions and recall documents at any time prior to recordation and disbursement of funds.

If escrow does not close within **45 business days upon issue date of this instruction**, return all documentation and funds to the City and County of San Francisco, Mayor's Office of Housing, 1 South Van Ness Avenue, 5th Floor, San Francisco, CA 94103, Attention: Homeownership Programs Coordinator.

Thank you for your cooperation.

Sincerely,



Rey Javier
Mayor's Office of Housing

Accepted and Agreed to this _____ day of _____, 200____

BY: _____

Ms. Escrow Officer, Title Company Name

City Note

(Secured by Deed of Trust)

CalHome Program

Inclusionary Housing Below Market Rate Downpayment Assistance Loan Program (BMR DALP)

BMR Loan #: **BMR-DALP-12-0000** Date: _____
Principal Amount: **\$36,000** San Francisco, California
Interest Rate: **0%**
Shared Appreciation: **10%**
Borrower's Name: **Mary Sample and John Sample**
Property Address: **123 Main Street, Unit 2, San Francisco, CA 94124**

1. **Borrower's Promise to Pay.** For value received, the undersigned ("Borrower") hereby promises to pay to the City and County of San Francisco, a municipal corporation ("Lender") the principal amount of U.S. **Thirty Six Thousand Dollars (\$36,000)** (the "Principal Amount") plus a Share of Appreciation (as defined in Section 7 below) in the value of the Property as defined in Section 7 below, to the order of the Lender. The interest rate on the principal amount is 0%.
2. Borrower(s) Acknowledge(s) and Agrees: that the CalHome Loan is subject to the terms, conditions, and restrictions of the State of California CalHome Program as set forth in the Health and Safety Code section 50650 et seq. and implementing guidelines or regulations adopted by the California Department of Housing and Community Development, all of which are hereby incorporated by reference.
3. Borrower acknowledges that the loan in the Principal Amount made to Borrower by Lender as of the date of this City Note was made pursuant to the CalHome Program through the City's BMR Downpayment Assistance Loan Program ("BMR DALP"). Borrower represents and warrants that, as of the date of this City Note (this "Note"), Borrower qualifies as a low-income household as determined by the California Department of Housing and Community Development.
4. Borrower acknowledges that **Thirty Six Thousand Dollars (\$36,000)** of the Principal Amount are funded by BMR DALP.
5. Use of Principal Amount. The Lender has provided the Principal Amount to Borrower to finance a portion of Borrower's down payment or closing cost for the purchase of a single-family residence located at **123 Main Street, Unit 2, San Francisco, CA 94124** (the "Property"). The purchase price of the Property ("Purchase Price") is **Three Hundred Seventy Five Thousand Dollars (\$375,000)** (the "Purchase Price").
6. Security. The Borrower's obligations under this Note are secured by a Deed of Trust and Assignment of Rents executed by Borrower, as Trustor, for the benefit of Lender, as Beneficiary (the "City Deed of Trust").
7. **Time and Place of Payments.**
 - (a) The Principal Amount of this Note, together with the Share of Appreciation (as defined in Section 7 below), shall be due and payable in full on the Maturity Date to the City and County of San Francisco at the Mayor's Office of Housing, 1 South Van Ness Avenue, 5th Floor, San Francisco, CA 94103 or at such other place as the City may from time to time designate.
 - (b) The Maturity Date shall be the earliest to occur of the following:
 - (i) The date which is thirty (30) years from the date of this Note;
 - (ii) An acceleration by Lender of this Note in the event of a default hereunder or under the City Deed of Trust; or

(iii) The date of the first sale or transfer of the Property to occur after the date of this Note. For the purposes of this Note, "sale or transfer" shall mean: (i) any rental of the Property where the Borrower no longer occupies the property as a principal residence, (ii) the recording of any encumbrance against the Property other than as consented to in writing by Lender; or (iii) any transfer of title to the Property, including but not limited to a transfer through inheritance, entering into any installment sales contract giving the purchaser or a third party a right to possess the Property or any portion of the Property before transfer of title, and/or a judicial sale on execution or other legal process of foreclosure or trustee's sale of the Property (regardless of whether initiated by the Lender); provided, however, that "transfer" does not include the following:

(A) a transfer resulting from death of a Borrower where the transfer is to a Co-Borrower; or

(B) a transfer resulting from a decree of dissolution of marriage or legal separation or from a property settlement agreement incidental to such a decree in which one of the Borrowers becomes the sole owner of the Property;

8. Share of Appreciation. On the Maturity Date or on the date of any prepayment under Section 8, the Borrower agrees to repay to Lender the Principal Amount, default interest (if any), plus the "Share of Appreciation" calculated under this Section 7. The Share of Appreciation is defined as **(10%) Ten Percent** of the increase in the affordable resale value (as determined by the Mayor's Office of Housing or its successor) of the Property, if any, from the date of Borrower's purchase of the Property through the Maturity Date. The Share of Appreciation has been determined by dividing the Principal Amount by the affordable resale value of the Property as of the date of this Note.

9. Borrower's Right to Prepay. The Borrower may repay the Principal Amount, together with default interest (if any) and the Share of Appreciation as of the date of such prepayment, calculated under Section 7 above, provided that such prepayment is in full and not in part. No prepayment charge will be imposed by the Lender.

10. Loan Charges. If any law which applies to this loan and which sets maximum loan charges is finally interpreted so that any amounts collected or to be collected in connection with this loan exceed the permitted limits, then: (i) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (ii) any sums already collected from Borrower which exceeded permitted limits will be refunded to Borrower. The Lender may choose to make this refund by making a direct payment to Borrower or by another method determined by Lender.

11. Occupancy, Preservation, Maintenance and Protection of the Property; Borrower's Loan Application.

a. Borrower shall have sixty (60) days from execution of this Note to occupy, establish, and use the Property as Borrower's principal residence. Except as otherwise expressly permitted by the Restriction, Borrower shall continue to occupy the residence as his or her principal residence. Borrower shall not destroy, damage or impair the Property, allow the Property to deteriorate, or commit waste on the Property. Borrower shall be in default under this Note if any forfeiture action or proceeding, whether civil or criminal, is begun that in Lender's reasonable judgment could result in forfeiture of the Property or otherwise materially impair the lien created by this Note. Borrower may cure such a default and reinstate Borrower's obligations, by causing the action or proceeding to be dismissed with a ruling that, in Lender's reasonable determination, precludes forfeiture of the Borrower's interest in the Property or other material impairment of the lien created by this Note or Lender's security interest.

b. Borrower shall also be in default under this Note if Borrower, during the loan application process, gave materially false or inaccurate information statements to Lender (or failed to provide Lender with any material information) in connection with the Loan evidenced by the Note, including, but not limited to, representations concerning (1) Borrower's intent to occupy the Property as a principal residence; (2) Borrower's income; and (3) Borrower's eligibility as a first time homebuyer under the requirements of the BMR Program; (4) Borrower's completion of the approved Homebuyer Education Course and (5) Borrowers household size and composition.

c. The Borrower acknowledges that this Property is subject to certain use and occupancy restrictions which are evidenced by the Restriction, generally limiting the Property's use to low and moderate income housing as further described in the Restriction. The Restriction also requires Borrower to occupy and use the Property as Borrower's principal residence and prohibit the Borrower from renting the Property at any time, except with under limited circumstances set forth in the Restriction. Any violation of the Restriction by Borrower shall be deemed a default hereunder.

12. Borrower's Default.

- (a) Failure to Pay as Required. If Borrower fails to pay the Principal Amount plus the Share of Appreciation on the Maturity Date, Borrower will be in default under this Note.
- (b) Non-Monetary Default. If Borrower fails to perform any of the terms, covenants or obligations under this Note or the City Deed of Trust, or if any representation or warranty made by Borrower under this Note or the City Deed of Trust proves to have been incorrect in any material respect when made, Borrower shall be in default under this Note.
- (c) Cross-Default. If Borrower is in default with respect to any other funding obligation for the Property, including but not limited to the Restriction, the First Deed of Trust Loan (as defined in Section 15 of this Note), and the BMR Lien (as defined in Section 15 of this Note), and the default remains uncured following the expiration of any applicable cure periods, Borrower will be in default under this Note.
- (d) Notice of Default; Interest. Upon a default by Borrower, Lender shall provide written notice of such default to Borrower. Borrower shall have thirty (30) days from the effective date of such notice to cure the default. In the event Borrower fails to cure the default within the thirty (30) day period, the Principal Balance plus the Share of Appreciation, plus simple interest on such amount at a rate equal to ten percent (10%) from the end of such thirty-day period through the date of full repayment of that amount to the City, shall be immediately due and payable without the necessity of any further notice or demand. The City may exercise all remedies available at law or in equity to obtain full payment of all amounts due, including, as applicable, costs described in Section 9(d).
- (e) No Waiver by Lender. The Lender's failure to exercise any remedies upon a default shall not be a waiver of the Lender's right to exercise such remedies.
- (f) Payment of Lender's Costs and Expenses. If the Borrower is in default under this Note, the Lender's costs and expenses of enforcing this Note, including reasonable attorney's fees, shall be added to the Principal Amount, to the extent not prohibited by applicable law.

13. Notices. All notices required by this Note shall be made in writing, and shall be deemed communicated by personal delivery or by United States mail, postage prepaid, as of the earlier of actual receipt or three days from mailing, addressed as follows:

To Lender: Director
 Mayor's Office of Housing
 One South Van Ness Avenue, 5th Floor
 San Francisco, CA 94103

To Borrower: At the Property Address in Section 4

or such other address as either Lender or Borrower may designate, from time to time, by written notice sent to the other party in like manner.

14. Obligations Under this Note. If more than one person signs this Note, each person shall be a "Co-Borrower" and is jointly and severally liable for the obligations under this Note. This means that each such person is fully and personally obligated to comply with all of the Borrower's obligations set forth in this Note, including the promise to pay the full amount owed, and Lender may require any one person to pay all amounts owed under this Note. Any person who is a guarantor, surety or endorser of this Note is also obligated to do these things. Any person who takes over these obligations, including the obligations of a guarantor, surety or endorser of this Note, is also obligated to comply with all of the Borrower's obligations set forth in this Note. The Lender may enforce its rights under this Note against each person individually or against all of us together.

15. Waivers. The Borrower and any other person who has obligations under this Note waive the rights of presentment and notice of dishonor. "Presentment" means the right to require the Lender to demand payment of amounts due. "Notice of dishonor" means the right to require the Lender to give notice to other persons that amounts due have not been paid.
16. Subordination. The indebtedness evidenced by this Note, and any other financial obligation which may hereafter be imposed on Borrower by the Lender, is as of the date of this Note subordinate to: (i) the indebtedness evidenced by a note in the original principal amount of **\$300,000** payable to **Sample Bank N.A.** which note is secured by a first deed of trust on the Property (the "First Deed of Trust"), and (ii) the indebtedness evidenced by a note (the "Second City Note") made by Borrower in the original principal amount of **\$325,000** payable to the City and County of San Francisco. The Second City Note represents the difference between the appraised fair market value of the Property without regard to the Restriction less the restricted purchase price of the Property and is secured by a second deed of trust on the Property (the "BMR Lien"). Any further subordination of this Note to current or future financing secured by a deed of trust on the Property shall be at the sole discretion of the Lender.
17. Sunshine Ordinance. The Borrower understands that under Section 67.24(e) of San Francisco Administrative Code, applications for financing and all other records of communications between the City and the Borrower must be open to public inspection immediately after a contract has been awarded. All information provided by Borrower which is covered by that ordinance (as it may be amended) will be made available to the public upon appropriate request.

Borrower:

Mary Sample

John Sample

(ALL SIGNATURES MUST BE NOTARIZED)

Free Recording Requested Pursuant to
Government Code Section 27383

When recorded, mail to:
Mayor's Office of Housing of the
City and County of San Francisco
1 South Van Ness Avenue, 5th Floor
San Francisco, California 94103
Attn.: BMR Program

BMR-DALP Loan # BMR-DALP-12-0000

Space above This Line for Recorder's Use

**DEED OF TRUST AND ASSIGNMENT OF RENTS
CalHome Program
Inclusionary Housing Below Market Rate Downpayment Assistance Loan Program (BMR DALP)**

THIS DEED OF TRUST AND ASSIGNMENT OF RENTS ("Deed of Trust") is made as of _____, by **Mary Sample and John Sample** ("Borrower" or "Borrowers") to **Title Company Name** ("Trustee") for the benefit of the City and County of San Francisco, a municipal corporation, whose address is c/o Mayor's Office of Housing, 1 South Van Ness Avenue, 5th Floor, San Francisco, California 94103 ("Lender"). This Deed of Trust is being made in accordance with the CalHome Program through the City's Below Market Rate (BMR) Downpayment Assistance Loan Program (BMR DALP). Borrower represents and warrants that, as of the date of this Note, Borrower qualifies as a low-income household as determined by the California Department of Housing and Community Development.

Borrower owes Lender the principal sum of **Thirty Six Thousand Dollars (\$36,000)**. This debt (the "City Loan") is evidenced by Borrower's note ("Note") dated the same date as this Deed of Trust and executed by Borrower. Capitalized terms used in this Deed of Trust and not defined shall have the meanings set forth in the Note. The Note provides for payment of the principal amount of the Note, together with a Share of Appreciation (as defined in the Note) on the Maturity Date.

In addition to the City Loan, the Borrower obtained: (i) a secured loan of **\$300,000** (the "First Deed of Trust Loan") from **Sample Bank N.A.** (the "First Lien Holder"), which loan is secured by a first deed of trust lien on the Property (the "First Deed of Trust"), and (ii) a secured loan from the City and County of San Francisco evidenced by a note made by Borrower, representing the difference between the appraised fair market value of the Property without regard to the Restriction (as defined in Section 5 herein) less the restricted purchase price of the Property, which note is secured by a second deed of trust on the Property (the "BMR Lien"). The documents evidencing or securing the First Deed of Trust Loan are collectively referred to herein as the First Deed of Trust Loan Documents. The First Deed of Trust and the BMR Lien shall collectively be referred to herein as the "Senior Liens."

This Deed of Trust secures to Lender: (a) the repayment of the debt evidenced by the Note, and all renewals, extensions and modifications of the Note; (b) the payment of all other sums, with interest as provided in the Note, advanced under Section 8 of this Deed of Trust to protect the security of this Deed of Trust; (c) payment of all other sums advanced by Lender to Borrower when evidenced by an instrument stating that those sums are secured by this Deed of Trust; and (d) the performance of Borrower's covenants and agreements under this Deed of Trust and the Note.

1. **Grant in Trust.** For valuable consideration, Borrower irrevocably grants and transfers and assigns to Trustee, in trust, with power of sale, subject to the rights of the First Lien Holder under the First Deed of Trust and to the rights of Lender under the BMR Lien, the real property located in San Francisco County, California, which has the address of **123 Main Street, Unit 2, San Francisco, CA 94124** and is further described in Exhibit A attached hereto;

TOGETHER WITH all the improvements now or hereafter erected on the property; all easements, appurtenances, and fixtures now or hereafter a part of the property; all replacements of and additions to the Property; and all rents, issues and profits from the property, subject to Trustor's right to collect and retain the same as they become due and payable so long as there is no existing default hereunder. All of the foregoing is referred to in this Deed of Trust as the "Property."

2. **Title.** Borrower covenants that Borrower holds fee title to the Property and has the right to grant and convey the Property and, except for the First Deed of Trust, BMR Lien, and other encumbrances of record acceptable to the First Lien Holder and the Lender, the Property is unencumbered. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to such encumbrances of record.

3. **Payment of Principal and Shared Appreciation; Prepayment and Late Charges.** Borrower shall promptly pay when due all amounts evidenced by the Note. Borrower shall have the right, without any prepayment charge, to prepay the principal amount of the Note, together with the Share of Appreciation and any default interest that may be due, provided that such prepayment is in full and not in part.

4. **Prior Deeds of Trust; Charges; Liens.**

a. The Borrower shall perform all of the Borrower's obligations under the Senior Liens, including Borrower's covenants to make payments when due. Borrower shall pay all taxes, assessments, charges, fines and impositions attributable to the Property which may attain priority over this Deed of Trust, and leasehold payments or ground rents, if any. Borrower shall pay these obligations directly and on time to the person or entity owed payment. Borrower shall promptly furnish to Lender all notices of amounts to be paid under this Section. If Borrower makes these payments directly, Borrower shall promptly furnish to Lender receipts evidencing the payments.

b. Except for the Senior Liens, Borrower shall promptly discharge any other lien which shall have attained priority over this Deed of Trust unless Borrower: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender; (b) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which, in the Lender's sole discretion, operate to prevent the enforcement of the lien; or (c) obtains from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Deed of Trust. Except for the Senior Liens, if Lender determines that any part of the Property is subject to a lien which may attain priority over this Deed of Trust, Lender may give Borrower a notice identifying the lien. Borrower shall discharge such lien or take one or more of the actions set forth above within 10 days of the giving of notice.

5. **Subordination.**

a. Lender and Borrower acknowledge and agree that this Deed of Trust is subject and subordinate in all respects to the liens, terms, covenants and conditions of the Senior Liens, and to all advances heretofore made or which may hereafter be made pursuant to the Senior Liens, including all sums advanced for the purpose of protecting or further securing the liens of the Senior Liens, curing defaults by the Borrower under the Senior Liens or for any other purpose expressly permitted by the Senior Liens. Notwithstanding the foregoing, in the event of a foreclosure or deed in lieu of foreclosure under the First Deed of Trust, any provisions set forth in the Restriction (as defined below), this Deed of Trust, or in any other collateral agreement that restrict the use of the Property to low or moderate income households or otherwise restrict the Borrower's ability to sell the Property shall remain in full force and effect on subsequent owners or purchasers of the Property. For the purposes of this Deed of Trust, the "Restriction" shall mean the requirements set forth in: (i) Planning Code § 315, (ii) the Planning Commission Motion No. **5551212** adopted on **May 02, 2002**, (iii) the "Notice of Special Restrictions Under the City Planning Code" recorded in the Official Records of San Francisco County on **June 26, 2002** as Document No. **2002-H5551212-00**, and (iv) the City and County of San Francisco Inclusionary Housing Monitoring and Procedures Manual issued by the San Francisco Planning Commission applicable to the Property

b. Further, if the First Lien Holder acquires title to the Property pursuant to a deed in lieu of foreclosure, the lien of this Deed of Trust shall automatically terminate upon the First Lien Holder's acquisition of title, provided that (i) the Lender has been given written notice of a default under the First Deed of Trust and (ii) the Lender shall not have cured the default under the First Deed of Trust, or diligently pursued curing the default as reasonably determined by the First Lien Holder, within 90 days from the date of notice sent to the Lender.

6. **Hazard or Property Insurance.**

a. Borrower shall keep the improvements now existing or hereafter erected on the Property insured on an all-risk form, excluding earthquake and flood, for one hundred percent (100%) of the replacement value, with a deductible not to exceed Ten Thousand Dollars (\$10,000) each loss. The insurance carrier providing the insurance shall be chosen by Borrower subject to Lender's approval which shall not be unreasonably withheld. If Borrower fails to maintain coverage described above, Lender may, at Lender's option, and at Borrower's cost which shall be added to the Principal Amount and secured by this Deed of Trust, obtain coverage to protect Lender's rights in the Property in accordance with Section 8.

b. All insurance policies and renewals, including the issuer of such policies, shall be acceptable to Lender and shall include a standard mortgagee clause. All requirements hereof pertaining to insurance shall be deemed satisfied if the Borrower complies with the insurance requirements under the First Deed of Trust. All original policies of insurance required pursuant to the First Deed of Trust may be held by the First Lien Holder; provided, however, Lender shall be named as a loss payee as its interest may appear and shall be named as an additional insured. If Lender requires, Borrower shall promptly give to Lender copies of all receipts of paid premiums and renewal notices. In the event of loss, Borrower shall give prompt notice to the insurance carrier, the First Lien Holder and Lender. Lender may make proof of loss if not made promptly by the First Lien Holder or the Borrower.

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

d. Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the payments referred to in the Note or change the amount of the payments. If under Section 21 the Property is acquired by Lender, Borrower's right to any insurance policies and proceeds resulting from damage to the Property prior to the acquisition shall pass to Lender to the extent of the sums secured by this Deed of Trust immediately prior to the acquisition.

e. Notwithstanding the above, the Lender's rights to collect and apply the insurance proceeds hereunder shall be subject and subordinate to the rights of the First Lien Holder to collect and apply such proceeds in accordance with the First Deed of Trust.

7. **Occupancy, Preservation, Maintenance and Protection of the Property; Borrower's Loan Application; Leaseholds.**

a. Borrower shall have sixty (60) days from execution of this Deed of Trust to occupy, establish, and use the Property as Borrower's principal residence. Except as otherwise expressly permitted by the Restriction, Borrower shall continue to occupy the residence as his or her principal residence. Borrower shall not destroy, damage or impair the Property, allow the Property to deteriorate, or commit waste on the Property. Borrower shall be in default under this Deed of Trust if any forfeiture action or proceeding, whether civil or criminal, is begun that in Lender's reasonable judgment could result in forfeiture of the Property or otherwise materially impair the lien created by this Deed of Trust. Borrower may cure such a default and reinstate Borrower's obligations, as provided in Section 21, by causing the action or proceeding to be dismissed with a ruling that, in Lender's reasonable determination, precludes forfeiture of the Borrower's interest in the Property or other material impairment of the lien created by this Deed of Trust or Lender's security interest.

b. Borrower shall also be in default under this Deed of Trust if Borrower, during the loan application process, gave materially false or inaccurate information or statements to Lender (or failed to provide Lender with any material information) in connection with the Loan evidenced by the Note, including, but not limited to, representations concerning (1) Borrower's intent to occupy the Property as a principal residence; (2) Borrower's income; (3) Borrower's eligibility as a first time homebuyer under the requirements of the BMR Program; (4) Borrower's completion of an approved Homebuyer Education Course, and (5) Borrowers household size and composition.

c. The Borrower acknowledges that this Property is subject to certain use and occupancy restrictions which are evidenced by the Restriction, generally limiting the Property's use to low and moderate income housing as further described in the Restriction. The Restriction also requires Borrower to occupy and use the Property as Borrower's principal residence and prohibit the Borrower from renting the Property at any time, except with under limited circumstances set forth in the Restriction. Any violation of the Restriction by Borrower shall be deemed a default hereunder.

8. **Protection of Lender's Rights in the Property.**

a. If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or there is a legal proceeding that may significantly affect Lender's rights in the Property (such as a proceeding in bankruptcy, probate, for condemnation or forfeiture or to enforce laws or regulations), then Lender may do and pay for whatever is necessary to protect the value of the Property and Lender's rights in the Property. Lender's actions may include paying any sums secured by a lien which has priority over this Deed of Trust (including sums secured by the First Deed of Trust), appearing in court, paying reasonable attorneys' fees and entering on the Property to make repairs. Although Lender may take action under this Section 8, Lender is not required to do so.

b. Any amounts disbursed by Lender under this Section 8 shall become additional debt of Borrower secured by this Deed of Trust. Unless Borrower and Lender agree to other terms of payment, these amounts shall become a part of the Principal Amount of the Loan for the purpose of calculating the Share of Appreciation due to the Lender under the Note.

c. Prior to taking any actions under this Section 8, however, Lender shall notify the First Lien Holder of such default in the manner provided in Section 21, and shall provide the First Lien Holder with the opportunity to cure any such default under this Deed of Trust within the time period provided for in Section 22 herein. All amounts advanced by the First Lien Holder to cure a default hereunder shall be deemed advanced by the First Lien Holder and shall be secured by the First Deed of Trust in accordance with the First Loan Documents. In addition, the Lender agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the First Lien Holder at least 60 days' prior written notice. Borrower acknowledges that any action by Lender hereunder to foreclose or accept a deed in lieu of foreclosure may, at Lender's option, be subject to any "due on sale" provisions of the First Deed of Trust.

d. Lender and Borrower further agree that a default hereunder shall constitute a default under the First Deed of Trust. In the event of a default hereunder, following any applicable notice and cure periods, the First Lien Holder shall have the right to exercise all rights and remedies under the First Deed of Trust.

9. **Inspection.** Lender or its agent may make reasonable entries upon and inspections of the Property. Lender shall give Borrower notice at the time of or prior to an inspection specifying reasonable cause for the inspection.

10. **Condemnation.**

a. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of any part of the Property, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender, subject to the terms of the First Deed of Trust and the BMR Lien.

b. In the event of a total taking of the Property, the proceeds shall be applied to the sums secured by this Deed of Trust, whether or not then due, with any excess paid to Borrower. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is equal to or greater than the amount of the sums secured by this Deed of Trust immediately before the taking, unless Borrower and Lender otherwise agree in writing, the Lender shall receive payment of the amount of the proceeds multiplied by the following fraction: (a) the total amount of the sums secured immediately before the taking, divided by (b) the fair market value of the Property immediately before the taking. Any balance shall be paid to Borrower, and the amount secured by this Deed of Trust shall be reduced by the amount paid to the Lender. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is less than the amount of the sums secured immediately before the taking, unless Borrower and Lender otherwise agree in writing or unless applicable law otherwise provides, the proceeds shall be applied to the sums secured by this Deed of Trust whether or not the sums are then due.

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

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

11. **Borrower Not Released; Forbearance By Lender Not a Waiver.** Any extension of the time for payment or modification or amortization of the sums secured by this Deed of Trust granted by Lender to Borrower or Borrower's successors in interest shall not operate to release the liability of the Borrower or Borrower's successors in interest. Lender shall not be required to commence proceedings against any successor in interest or refuse to extend time for payment or otherwise modify amortization of the sums secured by this Deed of Trust by reason of any demand made by the original Borrower or Borrower's successors in interest. Any forbearance by Lender in exercising any right or remedy shall not be a waiver of or preclude the exercise of any right or remedy.

12. **Joint and Several Liability.** In the event more than one individual or entity executes this note as a Borrower, then each Borrower's covenants and agreements shall be joint and several.

13. **Loan Charges.** If the Loan secured by this Deed of Trust is subject to a law which sets maximum loan charges, and that law is finally interpreted so that the interest or other loan charges collected or to be collected in connection with the loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected from Borrower which exceeded permitted limits will be refunded to Borrower. Lender may choose to make this refund by reducing the principal owed under the Note or by making a direct payment to Borrower.

14. **Notices.** All notices required by this Deed of Trust shall be made in writing, and shall be deemed communicated by personal delivery or by United States mail, postage prepaid (unless applicable law requires use of another method), as of the earlier of actual receipt or three days from mailing, addressed as follows:

To Lender: Director
 Mayor's Office of Housing
 One South Van Ness Avenue, 5th Floor
 San Francisco, CA 94103

To Borrower: At the Property Address in Section 1

To the First Lien Holder: **Sample Bank N.A.**
 555 Sample Street
 San Francisco, CA 94102

or such other address as either Lender, Borrower or First Lien Holder may designate, from time to time, by written notice sent to the others in like manner.

15. **Governing Law; Severability.** This Deed of Trust shall be governed by federal law and the law of the jurisdiction in which the Property is located. In the event that any provision or clause of this Deed of Trust or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Deed of Trust or the Note which can be given effect without the conflicting provision. To this end the provisions of this Deed of Trust and the Note are declared to be severable.

16. **Borrower's Copy.** Borrower shall be given one copy of the Note and a confirmed copy of this Deed of Trust.

17. **Transfer of the Property or a Beneficial Interest in Borrower.**

a. Except for a conveyance to the trustee under the First Deed of Trust or BMR Lien, and except as permitted under the Note, if all or any part of the Property or any interest in it is sold, transferred or encumbered (or if a beneficial interest in Borrower is sold or transferred and Borrower is not a natural person) without Lender's prior written consent, Lender may, at its option, require immediate payment in full of all sums secured by this Deed of Trust. However, this option shall not be exercised by Lender if exercise is prohibited by federal law as of the date of this Deed of Trust.

b. If Lender exercises its option under Subsection (a), Lender shall give Borrower and the First Lien Holder prior written notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is delivered or mailed within which Borrower must pay all sums secured by this Deed of Trust. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Deed of Trust without further notice or demand on Borrower.

c. Notwithstanding Lender's right to invoke any remedies hereunder, as provided in Section 8 above, Lender agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the First Lien Holder at least 60 days' prior written notice.

18. **Borrower's Right to Reinstate.** If Borrower meets certain conditions specified below, Borrower shall have the right to have enforcement of this Deed of Trust discontinued at any time prior to the earlier of: (a) 5 days (or such other period as applicable law may specify for reinstatement) before sale of the Property pursuant to any power of sale contained in this Deed of Trust; or (b) entry of a judgment enforcing this Deed of Trust. Those conditions are that Borrower: (a) pays Lender all sums which then would be due under this Deed of Trust and the Note as if no acceleration had occurred; (b) cures any default; (c) pays all expenses incurred by Lender in enforcing this Deed of Trust, including, but not limited to, reasonable attorneys' fees; and (d) takes such action as Lender may reasonably require to assure that the lien of this Deed of Trust, Lender's rights in the Property and Borrower's obligation to pay the sums secured by this Deed of Trust shall continue unchanged. Upon reinstatement by Borrower, this Deed of Trust and the obligations secured hereby shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under Section 21.

19. **Sale of Note; Change of Loan Servicer.** The Note or a partial interest in the Note (together with this Deed of Trust) may be sold one or more times without prior notice to Borrower. A sale may result in a change in the entity (known as the "Loan Servicer") that collects payments due under the Note and this Deed of Trust. There also may be one or more changes of the Loan Servicer unrelated to a sale of the Note. If there is a change of the Loan Servicer, Borrower will be given written notice of the change in accordance with Section 14 above and applicable law. The notice will state the name and address of the new Loan Servicer and the address to which payments should be made. The notice will also contain any other information required by applicable law.

20. **Hazardous Substances.**

a. Borrower shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances (as defined below) on or in the Property. Borrower shall not do, nor allow anyone else to do, anything affecting the Property that is in violation of any Environmental Law (as defined below). The preceding two sentences shall not apply to the presence, use, or storage on the Property of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses and to maintenance of the Property.

b. Borrower shall promptly give Lender written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which Borrower has actual knowledge. If Borrower learns, or is notified by any governmental or regulatory authority, that any removal or other remediation of any Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law. Prior to taking any such remedial action, however, the Borrower shall notify the Lender and the First Lien Holder that such remedial action is necessary and shall obtain the First Lien Holder's prior written consent for such remedial action.

As used in this Section 20, "Hazardous Substances" are those substances defined as toxic or hazardous substances by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials. As used in this Section 20, "Environmental Law" means federal, state or local laws that relate to health, safety or environmental protection.

21. **Borrower's Default.**

a. **Failure to Pay as Required.** If Borrower fails to pay any amount due hereunder or under the Note when due, Borrower will be in default under this Deed of Trust.

b. **Non-Monetary Default.** If Borrower fails to perform any of the terms, covenants or obligations under this Deed of Trust or the Note, or if any representation or warranty made by Borrower under this Deed of Trust or the Note proves to have been incorrect in any material respect when made, Borrower shall be in default under this Deed of Trust.

c. **Cross-Default.** If Borrower is in default with respect to any other funding obligation for the Property, including but not limited to the Restriction, the First Deed of Trust Loan, and the BMR Lien, and the default remains uncured following the expiration of any applicable cure periods, Borrower will be in default under this Deed of Trust.

22. **Acceleration; Remedies.**

a. Lender shall give notice to Borrower and the First Lien Holder prior to acceleration following Borrower's default in this Deed of Trust. The notice shall specify: (i) the default; (ii) the action required to cure the default; (iii) a date, not less than 30 days from the date the notice is given to Borrower (and with respect to the First Lien Holder, 60 days from the date the notice is given to the First Lien Holder), by which the default must be cured; and (iv) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to bring a court action to assert the non-existence of a default or any other defense of Borrower to acceleration and sale.

b. If the default is not cured by the Borrower on or before the date specified in the notice, and the First Lien Holder has not exercised its right to cure the default, then Lender at its option may require immediate payment in full of all sums secured by this Deed of Trust without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Notwithstanding Lender's right to invoke any remedies hereunder, as provided in Section 8 above, the Lender agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the First Lien Holder at least 60 days' prior written notice. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this Section 21, including, but not limited to, reasonable attorneys' fees.

c. If Lender invokes the power of sale, Lender or Trustee shall mail copies of a notice of sale in the manner prescribed by applicable law to Borrower, the First Lien Holder and to the other persons prescribed by applicable law. Trustee shall give notice of sale by public advertisement for the time and in the manner prescribed by applicable law. Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder for cash at the time and place and under the terms designated in the notice of sale in one or more parcels and in any order Trustee determines. Trustee may postpone sale of all or any parcel of the Property to any later time on the same date by public announcement at the time and place of any previously scheduled sale. Lender or its designee may purchase the Property at any sale.

d. Trustee shall deliver to the purchaser Trustee's deed conveying the Property without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (i) to all expenses of the sale, including, but not limited to, reasonable Trustee's and attorneys' fees; (ii) to all sums secured by this Deed of Trust; and (iii) any excess to the person or persons legally entitled to it.

23. **Release.** Upon payment of all sums secured by this Deed of Trust, Lender shall reconvey this Deed of Trust without charge to Borrower. Borrower shall pay any recordation costs.

24. **Substitute Trustee.** Lender, at its option, may from time to time remove Trustee and appoint a successor trustee to any Trustee appointed hereunder by an instrument recorded in the county in which this Deed of Trust is recorded. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon Trustee herein and by applicable law.

BY SIGNING BELOW, the Borrower accepts and agrees to the terms and covenants contained in this Deed of Trust.

Borrower:

Signature – Mary Sample

Signature – John Sample

(ALL SIGNATURES MUST BE NOTARIZED)

EXHIBIT A
Legal Description of the Property