



SINGLE FAMILY MORTGAGE PROGRAM

**SELLING
SUPPLEMENT**

TO PARTICIPATION AGREEMENT

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September 13, 2007

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PART I

GENERAL REQUIREMENTS

1.01 Participation Agreement, Definitions and Amendments

This Selling Supplement to Participation Agreement ("Selling Supplement") is incorporated by reference into the Participation Agreement, is part of it and is one of the Participation Documents.

1.01.1 The general policy of UHC with regard to the Origination and Closing of its Mortgages is that it is a Lender's responsibility to act in the most timely, efficient and responsible manner to protect the interests of UHC as mortgagee and to afford proper service and fair treatment to the Borrower. UHC requires Lender to have well-trained personnel in adequately-equipped mortgage lending facilities to provide proper and professional mortgage lending.

1.01.2 To obtain a Mortgage Purchase Agreement (MPA) from UHC, Lender must follow the procedures contained in this Selling Supplement. However, the delivery of the Mortgage Loan specified in an MPA is mandatory. Any failure to deliver the Mortgage Loan shall be deemed a Default and shall be subject to all penalties and remedies set forth in the Participation Documents.

1.01.3 Lender shall be familiar with the Selling Obligations which are the obligations, duties and responsibilities that are required in the Participation Documents. Lender shall also be familiar with, and comply with, all requirements of any Federal, State or local rule or regulation or by any agreement or contract of mortgage insurance or guaranty, and those typical obligations, duties and responsibilities that are in conformance with sound banking and mortgage lending practices. Any material deviation from Participation Documents by Lender, as determined by UHC in its sole discretion, shall constitute a Default and may result in financial penalties assessed by UHC against Lender or any other results and remedies provided in the Participation Documents.

1.01.4 Although the staff of UHC will be available for guidance, any interpretation or waiver of any provision of this Selling Supplement shall not be binding upon UHC unless in writing and signed by an Officer of UHC.

1.02 Definitions

As used in this Selling Supplement, unless a capitalized term is defined in this Selling Supplement or has its meaning set forth in Exhibit A of the Participation Agreement, its meaning shall be that indicated by the context.

1.03 Amendments

Amendments and additions to this Selling Supplement may be adopted from time to time by UHC and will be made available to all Lenders. Lender shall ensure that each of its employees acting on its behalf with respect to UHC Mortgage Loans has access to the most current edition of the Selling Supplement with any of its amendments. Each new edition of the Selling Supplement shall also be deemed to be an amendment to prior editions of Selling Supplements and Selling Guides and shall supersede all such previous editions.

1.04 Notices

Any notice or other communication to be given under the Participation Documents shall be given by e-mail, delivering the same in writing by hand, by mailing first class with the United States Postal Service, or by facsimile transmission promptly confirmed by mailing first class with the United States Postal Service, addressed to UHC or to Lender at such e-mail address, street address or fax number as is provided in a written notice in accordance with the applicable Participation Document. However, Lender may not send Nonpublic Personal Information to UHC via e-mail unless it is encrypted using a system acceptable to UHC.

PART II

UHC LOAN PROGRAMS

2.01 Mortgage Loans Originated Through Participating Lenders and Third Party Originators

UHC Mortgage Loans can be generated in one of two ways:

2.01.1 Mortgage Loans are generally originated by Participating Lenders, subsequently sold to UHC on a servicing released basis and then serviced by UHC employees.

2.01.2 However, Participating Lenders may sell Mortgage Loans to UHC that are the result of Lender entering into an agreement or relationship with another lender or broker ("third party originators"). Third party originators may take Mortgage Loan Applications, or originate, process, and close Mortgage Loans for sale by Lender to UHC ("third party originations" or "TPO") provided that all requirements in the Participation Documents are fully met. However, UHC, in its sole discretion, shall have the right to refuse to issue an MPA for any TPO Mortgage Loan. TPO Mortgage Loans must be originated directly by the third party originator.

2.01.2.1 Third party originated Mortgage Loans must be underwritten by Lender, shipped to UHC by Lender, and serviced by UHC.

2.01.2.2 Lender must perform a post-Closing review of those items required in an FHA quality control plan, on not less than the first five TPO Mortgage Loans delivered for sale to UHC that are originated by each third party originator. Additionally, Lender shall perform a post-Closing review of not less than 10% of the TPO Mortgage Loans originated by each third party originator each calendar year and delivered for sale to UHC. These requirements are in addition to all other post-Closing reviews required of Lender by UHC.

2.01.2.3 A Lender that sells a TPO Mortgage Loan to UHC is fully responsible for all indemnifications of UHC, and for all representations, warranties, and assurances made in the Participation Documents, as though the TPO Mortgage Loan was dealt with from the beginning by Lender and was not a third party origination. A Lender's obligation to repurchase a Mortgage Loan from UHC as provided in this Selling Supplement applies to any TPO Mortgage Loan sold to UHC.

2.01.2.4 Lender shall train third party originators regarding all requirements for Mortgage Loans. Lender warrants that the third party originator and its Mortgage Loans delivered to UHC meet all requirements and complies with all laws, regulations and rules imposed by any Federal or State authority.

2.02 General Loan Guidelines

2.02.1 Although UHC has multiple loan programs that are enumerated later in this Part, some general guidelines apply to all UHC loans:

2.02.1.1 Applicants may not exceed the UHC Current Household Income limit based on the Residence location as shown in Exhibit B to the Participation Agreement.

2.02.1.2 The Residence Acquisition Cost may not exceed the UHC limit as referenced in the Exhibit B to the Participation Agreement.

2.02.1.3 Each Mortgage Loan must be used to finance, and be secured by a Residence, as defined in the Participation Agreement.

2.02.1.4 Each Mortgage Loan delivered to UHC must have its monthly payments due on the first day of the month.

2.02.1.5 Each Mortgage Loan delivered to UHC shall not contain any provisions that prohibit or impose charges for early payment of principal in whole or in part.

2.02.1.6 The maximum amount of a Federally Insured or Federally Guaranteed Mortgage Loan may not exceed that which is permitted by FHA or VA. There is no minimum amount for a Mortgage Loan.

2.02.1.7 Each Mortgage Note shall have a 30-year (360-month) amortization, level monthly payments, a fixed interest rate and shall either be insured by FHA or be guaranteed by VA.

2.02.1.8 Each Mortgage delivered to UHC shall contain a provision for a late payment charge in an amount not to exceed that allowed by the applicable insurer or guarantor. In no case shall late charge provisions exceed 5% of the amount of the full payment.

2.02.1.9 Both Mortgage Loans and Subordinate Mortgage Loans may be assumed subject to the purchasers meeting applicable UHC, FHA or VA guidelines, subject to the written permission of UHC and subject to the payment of any required fees.

2.02.1.10 No cash proceeds of a Mortgage Loan may be disbursed to the Borrower or to any other person for the benefit of the Borrower, including amounts representing value of any land owned by the Borrower before Closing, except for the reimbursement of excess cash deposits or cash down payment paid by the Borrower before Closing.

2.02.1.11 The Borrower may not at any time before the execution of the Mortgage which secures the Mortgage Loan have had a mortgage (or any other form of lien or security interest) on or with respect to the Residence or any portion thereof and no portion of the proceeds of the Mortgage Loan may be used to acquire or replace an existing mortgage (or any other form of lien or security interest) under which the Borrower is an obligor except for*:

2.02.1.11.1 A construction-period loan or similar temporary initial financing having a term of twenty-four months or less, or

* Revised 10/14/08

*2.02.1.11.2 An eligible adjustable rate mortgage replaced by a DreamSaver Mortgage Loan. *

2.02.1.12 Subject to the requirements of this Selling Supplement, Mortgage Loans may be insured under the FHA 203 (k) program or the 203 (k) Streamlined program for the purchase and rehabilitation of a Residence. Lender may collect from the Borrower the supplemental origination fee and cost reimbursements as allowed by FHA. Lender shall be responsible to insure full completion of all planned repairs or improvements.

2.02.1.13 Lender shall use reasonable efforts to place Mortgages in Targeted Areas as directed by UHC, including cooperating in UHC's efforts to advertise that moneys are available for Mortgages on Residences located in Targeted Areas. UHC has furnished Lender with a list of Targeted Areas in this Selling Supplement and will promptly notify Lender in writing of changes in the Targeted Areas.

2.02.1.14 A portion of each Acquisition Pool or other UHC funds will be reserved for a period of one year from the date of Bond closing for the purchase of Mortgage Loans secured by Residences located in Targeted Areas, as defined in the Participation Documents. The rest of the Acquisition Pool will be available to purchase Mortgage Loans secured by Residences located in both Nontargeted Areas and Targeted Areas.

2.02.1.14.1 Targeted Areas, that are comprised of entire counties, include:

- | | |
|--------------|--------------|
| (1) Duchesne | (6) Piute |
| (2) Garfield | (7) San Juan |
| (3) Iron | (8) Sanpete |
| (4) Juab | (9) Utah |
| (5) Kane | (10) Wayne |

2.02.1.14.2 Targeted Areas that are comprised of less than an entire county include:

Salt Lake County:

Portions of the city of Midvale (as shown on UHC Targeted Area map)

Portions of the city of South Salt Lake (as shown on UHC Targeted Area map)

Salt Lake City Census Tracts: 1001, 1003.02, 1003.05, 1003.06, 1006, 1007, 1008, 1010, 1011, 1012, 1014, 1015, 1016, 1017, 1018, 1019, 1020, 1021, 1022, 1024, 1026, 1027, 1028, 1029, 1030, 1031, 1032, 1033, 1034, 1035, 1046, 1049

Weber County:

Portions of Ogden City (as shown on UHC Targeted Area map; Census Tracts: 2009, 2012, 2018, 2019)

Cache County:

Portions of Logan City (as shown on UHC Targeted Area map; Census Tracts: 7.02, 8.00)

2.02.1.15 For further clarification of the boundaries of the Targeted Areas please consult the most recent set of Targeted Area maps provided by UHC.

2.03 Loan Programs

2.03.1 Each UHC Mortgage Loan Program is a mandatory-delivery program that allows home buyers, with the help of Participating Lenders, to purchase personal Residences *(except for the DreamSaver program that temporarily allows refinances)*.

2.03.2 Lenders must sell *the Mortgage Loan and, where applicable,* any Subordinate Mortgage Loan to UHC “Servicing Released” for a servicing release fee as specified on the applicable Exhibit B to Participation Agreement and based on the sum of the original unpaid balance of the Mortgage Loan and the Subordinate Mortgage Loan. Subordinate Mortgage Loans may not be sold to UHC without the accompanying Mortgage Loan.

2.03.3 The present programs are:

- FirstHome,
- FirstHome Plus,
- Veterans Enhancement Program (VEP) – FirstHome,
- VEP – FirstHome Plus,
- Single Parent Set-Aside (SPS) – FirstHome, and
- SPS – FirstHome Plus
- *DreamSaver*

2.03.3.1 FirstHome – a Mortgage Loan that offers a lower-than-market interest rate and is insured by FHA or guaranteed by VA. It can assist First-time Home Buyers in all locations in Utah and can also help those who do not qualify as First-time Home Buyers in Targeted Areas within the State.

2.03.3.2 FirstHome Plus – a home purchase financing package only for First-time Home Buyers (except as noted in Section 2.03.3.2.4 below) regardless of Residence location. This package includes an FHA-insured Mortgage Loan and a conventional, uninsured Subordinate Mortgage Loan in an amount of up to 6% of the Mortgage Loan. Additional details about Subordinate Mortgage Loans follow:

2.03.3.2.1 The Subordinate Mortgage Loan must be repaid and is secured by a Subordinate Deed of Trust. It has a Subordinate Note with a 30-year term and the fixed interest rate specified on the MPA.

2.03.3.2.2 Subordinate Mortgage Loans do not require their own policy of title insurance, but should be shown in the title insurance policy of the Mortgage Loan in Schedule B. Subordinate Mortgage Loans must always be in second lien position and

* Revised 10/14/08

may not be subordinate to any riders to the Mortgage Loan that secure sums in addition to the amount of the Mortgage Loan.

2.03.3.2.3 Subordinate Notes become due and payable upon Default of either the Mortgage Loan Note or the Subordinate Note, upon payment in full of the Mortgage Loan or upon an unauthorized transfer of the Residence.

2.03.3.2.4 Except in the case of Single Parents qualifying under the terms of the Single Parent Set-Aside Program and Veterans qualifying under the VEP, Subordinate Loan Borrowers must always qualify as First-time Home Buyers.

2.03.3.2.5 To close a Subordinate Mortgage Loan, Lender must insure that the following forms are prepared and executed at Closing:

2.03.3.2.5.1 Subordinate Note (UHC Form 146)

2.03.3.2.5.2 Subordinate Deed of Trust (UHC Form 040)

2.03.3.2.5.3 Truth in Lending Disclosure Statement, in a format that is customary for Lender.

2.03.3.2.6 Before the Subordinate Deed of Trust may be recorded in the applicable county recorder's office, the Mortgage Loan, with the UHC Tax Exempt Rider attached, must be recorded.

2.03.3.2.7 All fees for Subordinate Mortgage Loans must be reflected *on the* HUD-1 Settlement Statement. Lenders may not charge the FirstHome Plus Borrower additional fees associated with originating, processing, underwriting and closing the Subordinate Mortgage Loan except as follows:

2.03.3.2.7.1 Lenders may collect \$150 at Closing from the proceeds of the Subordinate Mortgage Loan as an UHC supplemental fee for originating and processing the Subordinate Mortgage Loan and preparing the UHC-required Subordinate Note and Subordinate Deed of Trust.

2.03.3.2.7.2 Lenders may collect at Closing from the proceeds of the Subordinate Mortgage Loan the actual amount of incurred third party expenses (i.e. title company costs, recording fees, etc.).

2.03.3.2.8 Lender shall fund the Subordinate Note amount at Closing in the same manner that the Mortgage Loan Note is funded. UHC will simultaneously purchase the Mortgage Loan and the Subordinate Mortgage Loan following delivery of the Mortgage Loan Submission Package to UHC.

2.03.3.2.9 No portion of the Subordinate Mortgage Loan may be disbursed to the Borrower or to any person on behalf of the Borrower. Application of the Subordinate

Mortgage Loan proceeds must be reflected on the HUD-1 Settlement Statement and applied to:

2.03.3.2.9.1 The down payment, closing costs and \$150 UHC supplemental fee payable to Lender must equal or exceed the Subordinate Mortgage Loan amount, with all proceeds of the Subordinate Mortgage Loan applied to those costs, or

2.03.3.2.9.2 After applying the proceeds of the Subordinate Mortgage Loan to the items enumerated in the foregoing paragraph, if any proceeds remain unused, any unused amounts of the Subordinate Mortgage Loan may be applied to:

2.03.3.2.9.2.1 A buydown fund applied to Mortgage Loan,

2.03.3.2.9.2.2 A curtailment of the Subordinate Mortgage Loan principal, or

2.03.3.2.9.2.3 Reimbursement of excess down payment or closing costs deposited by the Borrower before Closing.

2.03.3.3 Veteran Enhancement Program (“VEP”) – FirstHome – a Mortgage Loan for use by a Veteran (or a Veteran and a *non-Veteran* Co-Borrower) to purchase a home in any location within Utah. Veteran does not have to qualify as a First-time Home Buyer in order to take advantage of the UHC lower-than-market interest rate. This Mortgage Loan may be insured by FHA or guaranteed by VA. Lender may use the VA Certificate of Eligibility to document Applicant status as a Veteran (Lender should be able to obtain the Certificate even if Veteran has previously used some or all of the his or her eligibility).

2.03.3.4 VEP – FirstHome Plus – a home purchase financing package for use only by Veterans *(or a Veteran and a non-Veteran Co-Borrower)* in purchasing a home in any location in Utah without requiring the Veteran to qualify as a First-time Home Buyer. The Veteran may obtain a Mortgage Loan insured by FHA or guaranteed by VA and a conventional, uninsured Subordinate Mortgage Loan in an amount of up to 6% of the Mortgage Loan. Proceeds of the Subordinate Mortgage Loan may only be used to assist with down payment and closing costs.

2.03.3.5 Single Parent Set-Aside (“SPS”) – FirstHome – Each of the SPS programs is offered under a special pool of funds for Single Parents who can otherwise qualify for either the FirstHome Program or the FirstHome Plus Program, but who do not qualify as First-time Home Buyers. SPS is a limited special purpose credit set-aside designed for the benefit of an economically disadvantaged class of persons otherwise excluded from UHC’s Single Family Program. As UHC purchases Mortgage Loans with funds from various bond issues, an amount of funds equal to approximately 2.5% of the purchased Mortgage Loans from the related bond issue may, at the discretion of UHC, be set-aside for reservations for those meeting the qualifications of Single Parents. The SPS – FirstHome program is an FHA-insured Mortgage Loan for Single Parents that may be used to purchase a home in any location within Utah, does not require the Single Parent to qualify as a First-time Home Buyer and offers a lower-than-market interest rate.

* Revised 10/14/08

2.03.3.5.1 A Lender may submit an MPA Request for a Single Parent Applicant who is not a First-time Home Buyer by checking the applicable “SPS” box on the MPA Request form or on the MPA Request screen. Because the SPS funds will be limited in amount, it is possible that a waiting list will develop. As funds for SPS become available, UHC will issue the MPA and notify Lender.

2.03.3.5.2 “Single Parent” status must be documented in Lender’s Mortgage Loan file with a copy of the Applicant’s most recent signed Federal Tax Return(s) filed with the IRS, and other documentation as described below.

2.03.3.5.2.1 If the Federal Tax Return shows a filing status of “Head of Household” or “Qualifying Widow(er) With Dependent Child,” and the child is under 18 years of age on the date of Application, eligibility is confirmed.

2.03.3.5.2.2 If the Federal Tax Return shows a filing status of “Single” or “Married,” (see next section) evidence of custody of a minor child must be provided in the form of a birth certificate, order of adoption, or a properly filed divorce decree.

2.03.3.5.2.3 If the Federal Tax Return shows a filing status of “Married,” evidence must be provided that no other adult is a member of the Household, except for one who is “Incapacitated”, as defined below. Such evidence may be in the form of a properly filed divorce decree, fully signed separation order or separation agreement, or the documentation as described in the definition of Incapacitated, below.

2.03.3.5.2.4 “Incapacitated” means having at the time of Application a physical or mental illness or impairment (including any incidental to old age) which substantially reduces or eliminates the person’s ability to work or to care for the dependent minor child. The illness or impairment must be reasonably expected to continue for at least six months beyond the date of Application. Evidence of the illness or impairment, and its duration, must be documented in Lender’s Mortgage Loan file. Examples of documentation confirming such incapacity include a written statement from the Incapacitated person’s attending physician or confirmation statements from the Department of Veterans Affairs or Social Security Administration.

2.03.3.6 SPS – FirstHome Plus – a home purchase financing package for use by Single Parents in purchasing a home in any location in Utah without requiring the Single Parent to qualify as a First-time Home Buyer. The Single Parent may obtain an FHA-insured Mortgage Loan and a conventional, uninsured Subordinate Mortgage Loan in an amount of up to 6% of the Mortgage Loan. Proceeds of the Subordinate Mortgage Loan may only be used to assist with down payment and closing costs.

***2.03.3.7** DreamSaver - A temporary mortgage loan refinance program authorized by the Housing and Economic Recovery Act of 2008. Eligible homeowners:

- have an existing adjustable rate mortgage loan (ARM),

- have closed the mortgage loan after December 31, 2001 and before January 1, 2008,
- cannot afford their present house payments in accordance with standards set by FHA,
- occupy the home as their principal residence,
- have a home whose current appraised value is 90% or less of the applicable UHC Acquisition Cost Limit,
- must have paid at least 6 complete payments on existing home mortgage(s), and
- must comply with all other applicable UHC and FHA guidelines.*

* Revised 10/14/08

PART III

MORTGAGE LOAN REQUIREMENTS

[Each of the requirements of a Mortgage Loan described in this Part must be met, as well as those set forth in the other Participation Documents.]

3.01 Maximum Household Income of Borrowers

3.01.1 The Current Annual Household Income of a Borrower may not exceed the Income Limits for the area in which the Residence financed by a Mortgage Loan is located for the twelve-month period beginning on either:

3.01.1.1 The date of Application if Closing occurs within four months of the date of Application; or

3.01.1.2 The date of Closing if Closing occurs more than four months after the date of Application.

3.01.2 In general, if a source of income is not specifically excluded in the second paragraph of the definition of Gross Income contained in the Participation Agreement, Exhibit A (or Lender's Worksheet for Borrower Income Eligibility [UHC Form 021]), the income must be included in the calculation of Current Annual Household Income. However, if Applicant is married, but legally separated (as evidenced by a fully signed separation agreement or separation order, either of which have been filed with the clerk of the appropriate court of law), Gross Income does not need to include the income of the separated spouse who will not be a member of the Household.

3.01.3 Lender shall complete a Lender's Worksheet for Borrower's Income Eligibility (UHC Form 021) or other similar form and, if applicable, an Employee Business Expense Schedule (UHC Form 024). Lender shall obtain and maintain in the loan file sufficient and reasonable documentation to *comply with FHA and/or VA requirements and to be able to* complete such forms. *In addition, Lender shall document compliance with UHC requirements by obtaining and maintaining in the loan file documentation of Household income to* include, as applicable, for the appropriate time periods, a standard form of verification of employment and copies of recent paycheck stubs for each employer, verification of other income such as Social Security, child support, alimony, interest earnings, capital gains, aid to families with dependent children, and Federal Tax Returns. Year-to-date profit and loss statements and complete, signed Federal Tax Returns must be included for self-employed Household members.

3.01.4 In cases when Closing occurs more than four months after the date of Application, UHC does not require Lender to obtain new income verifications. However, UHC expects that information concerning income will be updated by reasonable efforts such as the examination of

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the Borrower's most recent paycheck stub(s), bank account statements, etc. and the placing of copies of such items in the Mortgage Loan file.

3.01.5 Lender must obtain clarification when any of the income documentation conflicts with other file documents and evidences or suggests that the Income Limits have been exceeded.

Example A. A completed verification of employment might not indicate the payment of overtime or bonuses, but paycheck stubs obtained may reflect the payment of one or both during the past twelve months.

Example B. A divorce decree awards child support or alimony, but the Applicant claims payments have not been received. Lender obtains relevant supporting documentation or evidence that the alimony or child support payments have not been received documentation such as copies of bank account statements which show deposits consistent with other verified income.

3.01.6 If Lender cannot satisfactorily reconcile multiple income documents, the source(s) indicating the highest income should be used in preparing the various Closing documents that itemize the Current Annual Household Income.

3.02 Three Year Prior Homeownership Restriction

3.02.1 A Borrower may not have had an ownership interest in his or her previous principal residence (including factory-built housing which is permanently affixed to real property) for the three years preceding execution of the Mortgage with the exceptions of:

3.02.1.1 A Mortgage Loan made to a Borrower for the purchase of a Residence located in a Targeted Area (except the FirstHome Plus Program) or

3.02.1.2 A Mortgage Loan made to a Veteran (or a Veteran and Co-Borrower who is not a Veteran) under the Veteran Enhancement Program (VEP).

3.02.1.3 A Mortgage Loan made to a Borrower qualifying under one of the UHC Single Parent Set-Aside Programs (SPS).

***3.02.1.4** A Mortgage Loan made to a Borrower under the DreamSaver program. *

3.02.2 Except for the exceptions cited in the three previous paragraphs, Lender must, at a minimum, specifically check the following information sources to confirm First-time Home Buyer eligibility:

3.02.2.1 Mortgage Loan Application (Fannie Mae Form 1003)

3.02.2.1.1 Check page 3, section VIII (Declarations) for answer to question “m”:
“Have you had an ownership interest in a property in the last three years?”

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If answer is NO, confirm eligibility by completing steps listed as 302.2.1.2. and 302.2.2 - 4 below.

If answer is YES, check answer to question “m”(1): “What type of property did you own?”

If answer is principal residence or second home, Applicant does not meet the definition for a First-time Home Buyer.

If answer is investment property, Applicant may be eligible if Lender can document that Applicant was renting during the past three years and if eligibility is confirmed by completing steps listed as 302.2.1.2. and 302.2.2 - 4 below.

3.02.2.1.2 Check all credit accounts for any mortgage loans.

3.02.2.2 Check credit reports for any mortgage loan accounts listed.

3.02.2.3 Obtain a 2-year address history and substantiate accuracy and completeness by comparison with other file documents.

3.02.2.4 Check all other documents in the Mortgage Loan file for any indications of previous homeownership.

3.02.3 Lenders may need to review and furnish a copy of one or more Federal Tax Returns to UHC to confirm eligibility of a Single Parent Set Aside Mortgage Loan, *a DreamSaver Mortgage Loan* or when underwriting a self-employed Applicant.

3.03 Residence

3.03.1 Each Mortgage Loan must be secured by a Residence that meets all the requirements of this Supplement.

3.03.2 A Residence is a single-family, owner-occupied dwelling located within the State with an estimated remaining economic life equal to or greater than the term of the Mortgage Loan. Said Residence qualifies for financing by UHC within the meaning of the Act, the Participation Documents, UHC's Rules, and sections 103 and 143 of the Code. For purposes of the definition the dwelling:

3.03.2.1 Includes the land and all improvements securing a Mortgage.

3.03.2.2 May be a new home (never previously occupied) or an existing home (previously occupied).

3.03.2.3 May not include a dwelling for which more than 15% of the total area is expected to be used primarily for a trade or business;

3.03.2.4 May not include a dwelling that, in addition to the facilities of the main kitchen, has a section of the dwelling containing or utilizing any three of the following:

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- Sink,
- Cooking facilities (i.e. range, oven, microwave, hot plate),
- Refrigerator,
- A meter for water, natural gas, or electricity that is separate from those for the rest of the dwelling,
- One or more separate entrances.

3.03.2.5 If located in Salt Lake, Davis or Weber counties, may not include land financed by the Mortgage greater than one-half acre, and if located in any other county in the State, may not include land financed by the Mortgage greater than:

3.03.2.5.1 One acre, unless zoning ordinances of the jurisdiction require such additional land in which case the land securing the Mortgage must be at least equal to the minimum zoning ordinance requirements, or

3.03.2.1.2 Five acres in highly rural areas of the State where that amount of land is proved to UHC to be customary for single family residences.

3.03.2.6 May include units in a Condominium Project or a Planned Unit Development (PUD) provided said unit includes the benefits of the use of all common areas and facilities which are part of the Condominium Project or PUD Project;

3.03.2.7 May include Manufactured or Modular Housing as defined in the Participation Agreement; however, for any factory-built housing, Lender must complete all procedures required by Section 70D-1-20 of the Utah Code, including, but not limited to, the recordation of the Affidavit of Affixture in order for the dwelling to have achieved the status of an improvement to real property;

3.03.2.8 May not include Mobile Homes as defined in the Participation Agreement or Motor Homes, Park Trailers or Recreational Vehicles as defined in the Utah Code;

3.03.2.9 Is of sufficient size to meet all applicable zoning and building and other applicable codes;

3.03.2.10 Has legally-sufficient access to publicly-dedicated roadways by ownership, permanent easement or permanent rights of way;

3.03.2.11 May not have portions left unfinished nor have fixtures or architectural appointments omitted or removed in order to reduce the cost of acquiring the Residence below the Acquisition Cost limits authorized by UHC;

3.03.2.12 Has culinary water facilities which:

3.03.2.12.1 Are connected to completed and functioning municipal or other governmental culinary water systems or Stock Water Company systems; or

3.03.2.12.2 If not connected to a municipal water system or Stock Water Company system, include a functioning well and related or similar systems which are wholly

dedicated to the use of the Mortgaged Premises, which systems are located wholly within the boundaries of the Mortgaged Premises, and include all water rights and interests evidenced by the requirements of this Selling Supplement; and

3.03.2.12.3 Are in compliance with all building, health and zoning codes, restrictions, regulations and other codes and regulations of the city, town or county in which the dwelling is located;

3.03.2.12.4 Meet the requirements of FHA or VA;

3.03.2.13 Has sewage disposal facilities which:

3.03.2.13.1 Are connected to completed and functioning municipal or other governmental sewage disposal systems; or

3.03.2.13.2 If not connected to a municipal sewage disposal system, shall include a septic tank and related drain fields and pipes which shall be wholly located within the boundaries of the Mortgaged Premises; and

3.03.2.13.3 Are in compliance with all building, health and zoning codes, restrictions, regulations and other codes and regulations of the city, town or county in which the dwelling is located;

3.03.2.14 Has electric and telephone utility service;

3.03.2.15 Has a mechanical or electrical system for heating all habitable rooms of the dwelling;

3.03.2.16 Satisfies the requirements of FHA or VA.

3.04 Condominiums and Planned Unit Developments

3.04.1 To assist Lenders, Realtors®, and potential home buyers to know if UHC recognizes a particular Condominium Project (Condo) *as an FHA- or VA-approved project or if UHC is already tracking its exposure in a particular Planned Unit Development (PUD),* UHC maintains its own database of Condos and PUDs that can be accessed at all times through either the Lender Portal or the Realtor/Builder Portal of the UHC website. The Condo-PUD database provides information about the approximate address to assist in identification when project names are similar, but locations are different. The database also shows the 4-character alpha code that Lenders need when making a web-based MPA Request together with the information UHC has previously received regarding the approval status of the project with FHA or VA.

3.04.2 If a project cannot be found in the Condo-PUD database on the UHC website, Lender must submit to UHC the UHC Condo/PUD Certification (UHC Form 130) to confirm (1) the number of fully completed units, (2) the status of FHA/VA approvals (if applicable) and (3) the number of

* Revised 10/14/08

stories in the project. If the project is not yet approved by FHA or VA, a Mortgage Purchase Agreement Request may be submitted to UHC with the box checked for “FHA-approved Spot Loan” provided that Lender has performed the necessary research and has confirmed that the project in question complies with all FHA “Spot Loan” requirements.

3.04.3 For Condominium Projects and PUD Projects containing thirty units or more, a fidelity bond or direct surety bond must be maintained at all times, and must cover all persons having access to, or responsibility for, operating funds or reserve funds, with coverage in an amount not less than one and one half times the amount of operating funds or reserve funds held for the project.

3.04.4 If the owners' association owns the common elements, areas or facilities of a project separately (or holds them in a leasehold estate), title insurance must have been issued and must continue in force on those areas to insure that ownership. The title insurance must insure that the common elements, areas or facilities are free and clear of any objectionable liens and encumbrances, including any statutory liens for labor or materials related to improvements on the common areas that began before the title policy was issued.

3.05 Maximum Acquisition Cost of a Residence

3.05.1 The Acquisition Cost of a Residence may not exceed the Acquisition Cost Limits established and amended by UHC from time to time and referenced on Exhibit B to the Participation Agreement. The Acquisition Cost must include the cost of land and all improvements.

3.05.2 For a Mortgage Loan insured by FHA under its 203 (k) or 203 (k) Streamlined program, the cost of completing the Rehabilitation (including any contingency reserve) must be included in the Acquisition Cost of such Residence. A contingency reserve of not more than 20% of the Rehabilitation amount may be included in the Mortgage Loan. No proceeds of a Mortgage Loan may be used to finance the purchase of a Residence to be moved to a new location and thereafter rehabilitated under the 203 (k) or 203 (k) Streamlined program.

3.06 Lender to Deliver Affidavit of Borrower

3.06.1 Lender shall deliver to UHC an affidavit, executed by the Borrower, in form required by UHC. This affidavit must be executed by the Borrower and not another person signing under the authority of a Power of Attorney. Such affidavit is designated as a Borrower and Residence Seller Affidavit (UHC Form 047) *or, in the case of the DreamSaver Program, a Borrower Affidavit (UHC Form 157)* and may be amended from time to time by UHC.

3.06.2 Such affidavit shall be dated and delivered to Lender as of Closing and shall be delivered to UHC before the purchase of such Mortgage Loan by UHC.

3.07 Lender to Deliver Affidavit of Residence Seller

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3.07.1 Lender shall deliver to UHC an affidavit, executed by each seller of such Residence, if any, concerning the related Mortgage Loan, in form required by UHC. Such affidavit is designated as a Borrower and Residence Seller Affidavit (UHC Form 047) and may be amended from time to time by UHC.

3.07.2 Such affidavit shall be dated and delivered to Lender as of Closing and shall be delivered to UHC before the purchase of such Mortgage Loan by UHC.

3.08 Investigation by Lender

3.08.1 Lender shall investigate the accuracy of the statements made in each affidavit delivered by a Borrower and each affidavit delivered by a seller. Evidence of its investigations should be maintained in the Mortgage Loan files. Such investigation regarding each such Borrower shall include, without limitation:

3.08.1.1 Examination, to the extent reasonably necessary, of written leases, receipts, employment records and other records pertaining to the previous addresses of such Borrower;

3.08.1.2 If Applicant indicates having previously owned their own home, but the Applicant indicates the previous home was a Mobile Home, Manufactured Housing or other factory-built home not permanently affixed to real estate, Lender must confirm Applicant's First-time Home Buyer status by completing one of the two steps outlined below (unless Applicant is using the FirstHome Program and purchasing a Residence in a Targeted Area, is using the SPS or is using the VEP):

3.08.1.2.1 Obtain a copy of the property tax notice showing that the Borrower's previously-owned residence was taxed as personal property and not taxed as an improvement to real property; or

3.08.1.2.2 Obtain a written statement from Lender or another person, who has inspected the Borrower's previously-owned mobile home or factory built house, that such inspection revealed that the mobile home or factory built house has only had those components removed which operate during transportation and that the housing was not permanently anchored to the ground. The written statement may not be obtained from the Borrower or a person related to the Borrower, or from the seller, builder or real estate agent or any person related to such seller, builder or real estate agent associated with either the Residence to be financed by UHC Loan or the mobile home or factory- built house.

3.08.1.2.3 Such further investigation as Lender reasonably and in good faith determines to be necessary to assure complete compliance with the requirements of section 143(c), (d), (e), (f) and (i) of the Code.

3.08.2 Lender must immediately notify UHC in writing of the discovery by Lender of an untrue or incorrect statement in any affidavit, Addendum or certificate delivered by a Borrower, a Residence seller or Lender concerning a Mortgage Loan.

3.09 Tax Exempt Rider to Deed of Trust

3.09.1 Lender shall cause each Mortgage to contain provisions which authorize Lender to accelerate the Mortgage Loan secured thereby upon the occurrence at any time or times of events which may violate section 143 of the Code. Such provisions shall be contained in a form required by UHC and designated as a Tax Exempt Rider to Deed of Trust (UHC Form 014b) ("Addendum"), which Addendum may be amended from time to time by UHC.

3.09.2 Such Addendum shall be dated and executed by Borrower as of Closing, shall be attached to and recorded as part of the first Deed of Trust by the office of the recorder of the county in which the Residence is located and shall be delivered to UHC.

3.10 Water Rights - Water Stock; Wells, Springs, or Surface Water Rights

3.10.1 Stock Water Companies When a Residence being financed under the Program receives water from a non-municipal water company, shares of stock in the company are usually involved. When the Real Estate Purchase Contract or other sales agreement includes the transfer of stock in a water company (a "Stock Water Company"), a preliminary title report evidences the existence of shares in a Stock Water Company, or Lender discovers by any other means that the Residence receives its water from a Stock Water Company, Lender must perform the following additional steps in connection with the Closing:

3.10.1.1 Complete, have all Borrowers execute and have notarized the "Water Stock Security and Pledge Agreement" (UHC Form 025). The name of the Water Stock Company, the certificate number(s) and the number of shares must be inserted in the appropriate spaces of UHC Form 025.

3.10.1.2 Complete and have all Borrowers execute the Water Stock Power (UHC Form 026).

3.10.1.3 Obtain from the appropriate Stock Water Company or the Borrowers the actual stock certificates which reflect the stock ownership (water shares) of the Borrowers. The original Stock Certificate(s) shall be sent to UHC in the Mortgage Loan file with the Water Stock Security and Pledge Agreement and the Water Stock Power. After Mortgage Loan is repaid in full, UHC will release these three instruments to the Borrowers.

3.10.1.4 Verify with the State Department of Commerce, Division of Corporations and Commercial Code (the "Division") the good-standing status of the corporation that issued the stock. This can be done by phoning the Division and inquiring as to whether the Water Stock Company is in "good standing." Lender should prepare a memorandum to the file evidencing the date, to whom Lender talked and what they were told by the Division. If the Stock Water Company is not in good standing, the Mortgage Loan must

not be closed until such good standing status has been achieved and verified.

3.10.1.5 Lender should notify the Stock Water Company in writing of the grant of security interest and pledge of the stock by the Borrower in favor of Lender, UHC or its assigns.

3.10.2 Wells, Springs or Surface Water Rights When the drinking water for a Residence is obtained from wells, springs or other water sources other than a municipal or other governmental culinary water system or a Stock Water Company, the following steps must be taken by Lender:

3.10.2.1 Obtain any required well test results, and determine that the well water sample from the tests meets the requirements of FHA or VA and any governmental authority with jurisdiction over the quality of drinking water.

3.10.2.2 Obtain from the Borrowers or seller of the Residence information concerning the source of the water and the type of ownership rights attendant to the water. Lender must verify that the well, plumbing fixtures, waterworks and all related equipment is located on the Mortgaged Premises. A residence which has as its source of culinary water a well which is only partially owned by the Borrower or whose use is shared with another dwelling or which is located off the mortgage premises, does not qualify as an UHC Residence. Lender shall perform the following steps before Closing:

3.10.2.2.1 Obtain verification from the State Water Engineer's office (within the State Department of Natural Resources) that the water rights to the water from the well are either certificated water rights or are the subject of an approved application awaiting certification by the State Water Engineer's office. Lender should either obtain copies of applicable documentation or prepare a memorandum to the file evidencing the date, to whom Lender talked and what they were told by the Water Engineer's office.

3.10.2.2.2 Verify that the Borrowers or Residence sellers have ownership rights and title to:

3.10.2.2.2.1 the subject water rights and interests; and

3.10.2.2.2.2 all plumbing fixtures, waterworks, and all equipment related to the water system.

3.10.2.2.3 Verify that all applicable rights and interests of the Residence sellers described in this section 3.10 will be conveyed to the Borrowers at Closing by deed, assignment, and bill of sale.

3.10.2.3 Prepare, have executed by all Borrowers, and have notarized at Closing, the "Trust Deed, Security Agreement and Assignment (for water rights and interests)" (UHC Form 035), together with Exhibits A & B. Exhibit A to UHC Form 035 must be the "Legal Description" of the real property on which the plumbing fixtures, water works and equipment are located, including any applicable easements or rights of way. Exhibit B to

UHC Form 035, must contain the applicable State Engineer's indexing number, application number, location of use, source, quantity, and other rights or other specific information that will accurately reference and describe such water rights and interests.

3.10.2.4 Lender must record UHC Form 035 and an Assignment of Trust Deed to UHC (UHC Form 012) in the County Recorder's Office in the county where the Mortgaged Premises is located. Lender should also file UHC Form 035 and UHC Form 012 with (1) the Utah State Water Engineer's office at: State Engineer/Division of Water Rights, Department of Natural Resources, PO Box 143600, 1594 West North Temple, Salt Lake City, Utah 84114-6300 and (2) with the Department of Commerce at: Department of Commerce, Division of Corporations and Commercial Code, P. O. Box 45801, 160 East 300 South, Salt Lake City, Utah 84145-0801.

3.11 Permitted Liens and Encumbrances

3.11.1 Prior liens and encumbrances that are acceptable to FHA or VA are normally acceptable to UHC for FHA Insured or VA Guaranteed Mortgage Loans, respectively. However, UHC Subordinate Mortgage Loans for the FirstHome Plus program must always be in second lien position and may not be subordinate to any riders to the Mortgage Loan that secure sums in addition to the amount of the Mortgage Loan or to any other liens.

3.11.2 In general, subordinate liens, such as second mortgages, are acceptable to UHC only if such liens and the respective payments required have prior written approval of FHA, VA, or the insurer under the applicable Private Mortgage Insurance Policy.

3.12 Permitted Fees and Charges

3.12.1 In no event may the fees and charges collected from any party concerning the making of any Mortgage Loan exceed the amounts customarily charged in the State with respect to mortgage loans financed other than with the proceeds of Qualified Mortgage Bonds.

3.12.2 No discount points or a yield spread premium may be charged or collected unless specified by UHC on Exhibit B of the Participation Agreement.

3.12.3 Lender may not deliver to UHC for purchase under an MPA any Mortgage Loan where any person in connection therewith charges, pays or receives any money or other consideration except the following:

3.12.3.1 Fees and charges permitted by FHA or VA.

3.12.3.2 An origination fee to the Lender of 1% plus any supplemental origination fee permitted by FHA for 203 (k) or 203 (k) Streamlined Mortgage Loans.

3.12.3.3 UHC extension fees, the UHC tax service fee, the UHC supplemental fee for the origination of UHC Subordinate Mortgage Loans and the UHC non-delivery fee, which, if collected up front, must be refunded at Closing.

3.12.4 Lender may not distribute its MPA to, or collect any fee from any other person or entity, other than those allowances made in the Participation Documents. No Mortgage Loan commitments from Lender to any person may be made contingent upon the payment of any unauthorized fees paid to or by any person, or upon future business referrals of any kind.

3.13 Credit Underwriting

3.13.1 Notwithstanding UHC's right to reject Mortgage Loans as specified in this Selling Supplement, UHC relies on Lender to perform credit underwriting of each Mortgage Loan as if Lender were going to hold each Mortgage Loan in its own portfolio and take all risk associated with each Mortgage Loan. UHC does not generally perform an analysis of the credit quality of the Borrower, but relies on the underwriting performed by Lender and the underwriting performed by or on behalf of FHA or VA to ensure compliance with the specific policies of UHC as well as sound underwriting practices.

3.13.2 All Mortgages submitted for purchase must comply with UHC's underwriting policies as well as following the loan-to-value ratio requirements, down payment requirements and underwriting requirements of FHA or VA. UHC places heavy reliance upon Lender's determination that the Borrower evidences sufficient credit-worthiness.

3.13.3 Automated underwriting systems, as authorized by the applicable mortgage insurer or guarantor (FHA or VA) may be used to assist in determining the credit-worthiness of Borrowers. However, Lenders must also remember to specifically check Borrower and Residence compliance with UHC policies. Commonly-encountered items not considered by automated systems include requirements for Residences (amounts of allowable land, potential rental space, etc.), minimum FICO credit scores, Cosigner ratios and qualifications, Income Limits and Acquisition Cost Limits. Specific UHC requirements for Mortgage Loans are specified in the Participation Documents.

3.13.4 Lender shall determine that the Borrower under each Mortgage Loan offered for purchase by UHC evidences willingness and financial ability to justify and benefit from a Mortgage Loan in the amount and on the terms stated. Such determination must be based upon a thorough evaluation by Lender of all available and pertinent credit information. All information must be supported by written documentation maintained in the Mortgage Loan file.

3.13.5 Lender must evaluate each Borrower's credit-worthiness on a case-by-case basis. All standards for determining effective income must be applied to each Borrower in the same manner. UHC considers the following guidelines to be sound general principles in underwriting credit, and will generally apply these guidelines in reviewing the credit-worthiness of Borrowers with respect to Mortgage Loans tendered to UHC for purchase:

3.13.5.1 Monthly housing expenses may not exceed FHA or VA requirements as applicable.

3.13.5.2 The total amount of monthly obligations, including both housing expenses and all other monthly payments, may not exceed the FHA or VA requirements as applicable.

Lender agrees to determine that the Borrower's total obligations do not constitute an undue strain on the Borrower's ability to make all such payments promptly.

3.13.5.3 Stable monthly income is the Borrower's gross monthly income from primary employment base earnings plus recognizable secondary income. Secondary income of any Borrower such as bonus, commission, overtime, or part-time employment should only be recognized as "stable monthly income" if such items of secondary income are typical for the occupation, substantiated by the Borrower's previous two year's earnings and continuation is probable based on previous employment history and foreseeable economic circumstances.

3.13.5.4 In cases where the Borrower is self-employed, Lender must obtain sufficient documentation to determine the steadiness of Borrower income and the trend of the income in order to accurately calculate Current Annual Household Income. At a minimum Lender must obtain a signed profit and loss statement for the calendar year of Application, together with the completed, signed Federal Tax Returns filed with the IRS for the two years prior to Application. If the most recently Federal Tax Return is not yet completed, then the Borrower must furnish a signed profit and loss statement for that year also. Please note that FHA or VA may require additional documentation to satisfy their underwriting requirements.

3.13.6 Lender agrees to determine that the Borrower has a sound credit reputation evidenced by a tri-merged credit report. Said report must provide all available FICO credit scores from each of the three major credit repositories and any necessary supplements thereto, issued by an independent credit reporting agency acceptable to UHC. *A FICO Expansion score may be used where that is the only FICO score available but will have the minimum 660 middle score requirement.* Such report must be furnished, complete, in each Mortgage Loan file submitted to UHC for purchase.

3.13.7 If repositories cannot furnish credit scores and *Lender is unable to obtain one or more FICO Expansion scores, borrower will not be eligible for Mortgage.*

3.13.8 If a Borrower has 3 FICO credit scores, one may be below *660*. The table below reiterates which FICO score(s) must be *660* or higher:

3 scores: Middle and highest scores must be *660* or above. **Lowest may be less than *660***.

2 scores: Both scores must be *660* or above.

1 score: That score must be *660* or above.

No score: *Borrower does not qualify for Mortgage.*

3.14 Borrowers, Co-Borrowers, Cosigners, Attorneys-in-Fact

3.14.1 The Mortgage must be signed by each owner of the property. The Note must be signed by any individual whose income and financial strength are needed in order to meet UHC

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underwriting requirements. The Mortgage and the Note must also be signed by each individual whose signature is necessary under the applicable statutory or decisional law of the State to create a valid lien, pass clear title, waive inchoate rights to property or assign earnings. The use of a non-occupant Co-Borrower (a non-Household member with an ownership interest in the property) is not allowed.

3.14.2 A Cosigner (a person who is liable under a Note secured by a Mortgage, but does not have an ownership interest in the Mortgaged Premises and who may not execute the Mortgage), may be used to help the Borrower qualify for a Mortgage Loan provided that:

3.14.2.1 The Cosigner is neither the spouse of the Borrower nor an occupant of the Residence, and

3.14.2.2 Lender underwrites the Mortgage Loan in a manner that assures that the Cosigner has sufficient financial strength to:

3.14.2.2.1 Meet his or her own financial obligations, (must have a middle credit score of at least *660* as outlined in this Selling Supplement) and

3.14.2.2.2 Make the Borrower's monthly UHC mortgage payment (at full Note rate) and any other co-signed loan payments, together with all other required payments on the Cosigner's own indebtedness.

3.14.2.2.3 Have a **total debt ratio that does not exceed 41%** of Cosigner's gross monthly income, excluding the Borrower's income, and must include the mortgage payment for which they will co-sign and all other Cosigner debts and cosigned loans, regardless of who pays them.

3.14.3 UHC **will not permit** the Borrower and Residence Seller Affidavit (UHC Form 047) ****or, in the case of the DreamSaver Program, the Borrower Affidavit (UHC Form 157)**** to be signed on behalf of the Borrower by an attorney-in-fact. An attorney-in-fact may execute the Note, Mortgage and Tax Exempt Rider to Deed of Trust (UHC Form 014b) on behalf of the Borrower, but only if a power of attorney gives the attorney-in-fact that power by specific or broad language. Attorneys-in-fact may execute the Residence Seller Affidavit and other documents on behalf of the Residence seller, provided that a power of attorney gives the attorney-in-fact that power by specific or broad language. Each power of attorney must be filed in the office of the appropriate county recorder and a copy must be delivered to UHC.

3.15 Appraisal and Residence Repair Requirements

3.15.1 Appraisals of properties financed by Mortgage Loans must be in compliance with all applicable regulations and instructions of FHA or VA regarding use of forms, allowable fees, use of authorized appraisers, etc.

3.15.2 When an appraisal is made subject to repairs, alterations, or conditions, or subject to completion per plans and specifications, Lender agrees to obtain a certification of satisfactory completion by an FHA or VA approved inspector who, when possible, should be the original

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* *Revised 10/14/08

appraiser.

3.15.3 If there are excess escrowed funds and the source of the escrow was either the UHC Mortgage Loan or the UHC Subordinate Loan, Lender must apply all excess funds to the principal of the Subordinate Mortgage Loan, where a Subordinate Mortgage Loan exists. Otherwise the excess funds shall be applied to the Mortgage Loan. No cash may be given to Borrower.

3.15.4 For required Residence repairs or improvements that cannot be completed prior to Closing due only to inclement weather, Lender may escrow funds in an amount not to exceed 1.5 times the estimated or contracted price of incomplete items. Escrowed money shall be held for the joint benefit of UHC and the Borrower in an account fully insured by the FDIC or NCUA. Escrowed moneys shall be released only upon satisfactory completion of the improvements and certification of such completion by an FHA or VA approved inspector who, when possible, should be the original appraiser.

3.15.5 Mortgage Loans insured under FHA's 203 (k) or 203 (k) Streamlined program, for which the Rehabilitation of the Residence will be incomplete upon delivery of the Mortgage Loan to UHC for purchase, shall be handled in all respects in accordance with FHA guidelines.

3.15.6 Lender agrees to inform UHC immediately in the event Lender deems the work of an approved appraiser to be unacceptable.

3.15.7 UHC may notify Lender that it will no longer accept appraisals made by a given appraiser, and Lender agrees not to use such appraiser with respect to Mortgages purchased by UHC.

3.16 Hazard Insurance Requirements

3.16.1 The Mortgaged Premises of each Mortgage Loan delivered to UHC shall be covered by a valid hazard insurance policy issued by a company lawfully doing business in the State and meeting the requirements shown below.

3.16.2 Insurance coverage in the following kinds and amounts is required on the Mortgaged Premises:

3.16.2.1 The scope of coverage must be equal to or greater than standard extended coverage that provides for claims to be settled on a replacement cost basis.

3.16.2.2 The amount of coverage must equal or exceed the greater of:

3.16.2.2.1 The unpaid principal balance of the mortgage (plus the unpaid principal balance of any Subordinate or Second Mortgage) up to, but never having to exceed 100% of the replacement cost of any insurable improvements as determined by the insurer.

3.16.2.2.2 At least 80% of the replacement cost of any insurable improvements as

determined by the insurer.

3.16.2.3 Such insurance must be in effect on the date of delivery to UHC of the Mortgage Loan for purchase, and the expiration date of each policy must be more than one month after the date of delivery.

3.16.2.4 If Lender has actual knowledge of, or if an appraisal indicates that the Mortgaged Premises is exposed to any appreciable hazard against which fire and standard extended coverage does not afford protection, Lender shall obtain coverage against such hazard before delivery of the Mortgage Loan to UHC. In addition, each insurance policy shall be sufficient in amount and scope of coverage to meet the requirements of FHA or VA as applicable.

3.16.2.5 UHC requires that flood insurance coverage be maintained at all times for any Residence when the improvements are located in a Special Flood Hazard Area that has Federally-mandated flood insurance purchase requirements. Special Flood Hazard Areas that have mandated flood insurance requirements are any areas designed by the following symbols -- A, AE, AH, AO, AI-A30, A99, V, VE, VO or V1-V30 -- on a Flood Hazard Boundary Map or a Flood Insurance Rate Map.

3.16.2.6 Lender may not deliver a Mortgage Loan secured by property located in one of these areas unless the improvements are covered by flood insurance. Coverage must be equal to or greater than standard extended coverage that provides for claims to be settled on a replacement costs basis in an amount equal to that specified in this Part.

3.16.2.7 The maximum deductible clause shall be the lesser of \$1,000 or 1 percent of the policy face amount.

3.16.2.8 Any insurance policy required in connection with a Mortgage Loan sold to UHC must contain a "standard mortgagee clause" naming UHC, its successors or assigns.

3.16.3 Insurance coverage for a Condominium Project or PUD Project containing a Condominium Unit or attached PUD Unit that secures a Mortgage Loan must be in conformity with the following requirements:

3.16.3.1 A multi-peril type of policy is required covering the common areas and facilities of the project and the entire building containing the Condominium Unit or PUD Unit providing as a minimum "all risk" coverage that provides for claims to be settled on a replacement cost basis. Insurance should cover 100% of the insurable replacement cost of the project improvements. Coverage does not need to include land, foundations, excavations, or other items that are usually excluded from insurance coverage. If there is a steam boiler in operation that provides heat or hot water to the Mortgaged Premises, there must be in force boiler explosion insurance and providing as a minimum \$100,000 per accident per location. The multi-peril policy must contain coverage for personal injury and property damage in all common areas and public ways in the minimum amount of \$1,000,000 per occurrence. The policy must cover all personal injury and property damage claims, whether any occurrence which gives rise to a claim is the fault of one or more unit owners or the association of owners. The named insured under each such policy

must be in substance similar to the following:

"Association of Owners of Condominium (or Planned Unit Development) for the use and benefit of the individual owners."

3.16.3.2 Lender must have the original or a photocopy of the multi-peril policy and the boiler and machinery insurance policy. Each such policy must contain the “standard mortgagee clause” which must be endorsed to provide that any proceeds shall be paid to the applicable Condominium Project or PUD Project owners’ association for the use and benefit of mortgagees as their interests may appear, or must be otherwise endorsed to protect fully UHC's interest.

3.16.3.3 Should any part of the Condominium Project or PUD Project be located in a Special Flood Hazard Area as described in this Selling Supplement, flood insurance must be maintained in force for the term of the Mortgage Loan.

3.16.4 All hazard and flood insurance policies must have the “standard mortgagee clause” commonly used by private institutional mortgage investors. Such clause must provide that the insurer will notify the named mortgagee at least 10 days before any reduction in coverage or cancellation of the policy. The endorsement for the “standard mortgagee clause” must show the name of UHC followed by the phrase, "its successors and assigns." The “standard mortgagee clause” of insurance policies obtained by PUD or Condominium Project owners' associations must be endorsed to fully protect the interests of UHC.

3.16.5 Lender, to the extent permitted by law, hereby assigns to UHC on the date of delivery of a Mortgage Loan all of its right, title, and interest in such insurance policies or contracts and any benefits which it has received or which it may receive in the future on all Mortgage Loans delivered to UHC.

3.16.6 Insurance coverage which does not meet the requirements specified in this Part will be considered on a case basis by UHC upon request of Lender. UHC may require such additional coverage as it deems necessary concerning any case or group of cases.

3.16.7 Each hazard insurance policy must be written by an insurance carrier licensed or authorized by law to transact business within the State that has been rated in the most recent Best’s Key Rating Guide no lower than the following:

Best’s Ratings..... B and
Financial Size Category V

3.16.7.1 Insurance policies written by an insurance carrier that does not meet the these required ratings will be acceptable provided that a reinsurer meeting these same ratings has executed a Certificate of Reinsurance, a Treaty Contract, an Assumption Liability Agreement or similar agreement or endorsement providing for 100% reinsurance of the insurer's policy, and the insurer has executed the reinsurance agreement and attached it to the policy.

3.16.7.2 The reinsurance agreement must provide for a 90 day written notice of

termination to Lender, its successors or assigns or to UHC.

3.16.8 Policies are unacceptable that: (1) under the terms of the carrier's charter, by-laws, or policy, contributions or assessments may be made against UHC or designee thereof; or (2) contribution requirements or assessments may be made against the Borrower which could become a lien on the Mortgaged Premises superior to the lien of the Mortgage; or (3) by the terms of the carrier's charter, by-laws or policy, loss payments are contingent upon action by the carrier's board of directors, policyholders, or members; or (4) the policy includes any limiting clauses (other than insurance conditions) which could prevent UHC or the Borrower from collecting insurance proceeds.

3.17 Title Insurance

3.17.1 Each Mortgage Loan submitted to UHC for purchase must be the subject of (1) an ALTA Short Form title insurance policy or (2) an ALTA title insurance policy, either of which must be issued by an insurer acceptable to UHC. The title insurance must be in an amount at least equal to the outstanding principal balance of the Mortgage Loan, naming UHC as the insured or containing endorsement 104.1, or its equivalent, naming UHC as the insured, insuring that the Mortgage constitutes a first lien on the Mortgaged Premises, with an effective date no later than the recording date of the Mortgage. The policy must insure that the estate of the mortgaged property is held in fee simple by the Borrower. The policy must be subject only to current taxes and assessments not yet due and payable and permitted liens and encumbrances as described in this Part. Any Subordinate Mortgage Loan shall be shown in Schedule B of the policy. Without limiting the generality of the foregoing, the policy must insure against mechanic or materialmen's liens for work performed or materials supplied before the date of the Mortgage. Any liens or encumbrances which may appear, including any liens for subordinate financing which have been approved by UHC pursuant to this Part, but for which UHC is insured against as first lien holder, must be shown on the policy of title insurance.

3.17.2 Although CLTA endorsements 100 and 116 are needed with the ALTA title insurance policy, they are not required when using the ALTA Short Form policy because equivalent coverage is already included. However, ALTA endorsement 8.1 or its equivalents must be furnished with either type of policy. For a Residence which is a Condominium Unit, a PUD Unit or is Manufactured Housing, the policy must include ALTA endorsements 4, 5 or 7, respectively, or their equivalents.

3.17.3 The legal description of real property in any title insurance policy or other document must be the same as that set forth in the related Mortgage. For Condominium Units or a PUD Unit, the legal description must be stated in accordance with applicable law, must describe the unit securing the mortgage, the percentage of undivided interest in common areas, any non-exclusive easement to use common areas and facilities and any significant limited common areas or exclusive easements over common areas.

3.18 Mortgage Insurance or Guarantee

3.18.1 Each Mortgage Loan submitted to UHC must be covered by valid and enforceable

mortgage insurance or guarantee acceptable to UHC. UHC shall specify in the applicable Participation Documents which types of mortgage insurance coverage or guarantee are required under the Program.

3.18.2 Federally Insured (FHA) Mortgage Loans shall be insured to the maximum amount permitted by FHA. Mortgage Loans insured under FHA's 203 (k) or 203 (k) Streamlined program shall only be eligible for purchase by UHC where the dwelling is permanently fixed to the land on which it is located before the date of the agreement between the seller of the dwelling and the Borrower to purchase such dwelling.

3.18.3 After receiving notification from UHC that it has purchased one or more Mortgage Loans, Lender must electronically complete the FHA Notice of Transfer (formerly HUD Form 92080) for each Mortgage Loan [UHC Mortgage code is 52167-0999-8].

3.18.4 VA Guaranteed Mortgage Loan guarantees must comply with the following:

3.18.4.1 The guarantee must be based on the entire amount of the Mortgage. The full amount of the Veteran's available guarantee must be applied to the Mortgage. The dollar amount of the guarantee must at least equal the greater of \$5,000 or 25% of the original principal amount of the Mortgage. If both the Borrower and Co-Borrower (who must be an owner-occupant of the Residence) have available guarantees, the total amount of the combined available guarantees may be used to meet the requirements.

3.18.4.2 The unguaranteed portion of the Mortgage amount cannot be greater than 75% of the higher of the Acquisition Cost of the Residence or VA's estimate of reasonable value.

3.19 Forms

3.19.1 Mortgages and any related documents used by Lenders in the case of Federally Insured or Federally Guaranteed Mortgages must meet the requirements of FHA and VA as applicable.

3.19.2 UHC makes available specific forms that Lender must use in the case of the Origination, Closing and sale to UHC of Mortgage Loans. Copies of these forms may be downloaded by Lender from the UHC website at www.utahhousingcorp.org in the LENDER INFORMATION section. Lender may generate reproductions and replicas of UHC forms, but the reproductions and replicas must be in the same format and contain, without deviation and in order, all language contained and information to be reported in such UHC forms.

PART IV

MORTGAGE PURCHASE AGREEMENT REQUEST PROCEDURES

4.01 Submission Requirements

4.01.1 UHC periodically broadcasts via e-mail or its web page an interest rate that will not be exceeded for the commitments issued during a specified time period. This enables Lender to know the maximum interest rate for which a Borrower must qualify and any underwriting findings submitted to UHC for a commitment must include an interest rate of no less than the rate broadcast by UHC.

4.01.2 Lender may submit the required MPA Request (UHC Form 050) as soon as full credit approval has been received for any Borrower, Co-Borrower and Co-Signer. Lender may do so by entering the information through UHC's Website, by faxing the form or by having the necessary materials hand-delivered to UHC. Lender may not send Nonpublic Personal Information to UHC via e-mail unless it is encrypted using a system acceptable to UHC.

4.01.3 If Lender seeks an MPA by accessing UHC's Website, Lender employee must click on the Lender Portal, enter the requisite Login information, click on the MPA button and input required Mortgage Loan, Applicant and Residence data.

4.01.4 Lender agrees to be responsible for safeguarding passwords or other UHC-issued security information and shall only disclose UHC web security information to authorized persons who are employees of Lender. UHC may rely on any information (including any MPA request) supplied by Lender through UHC's web site.

4.01.5 When making an MPA Request, Lender agrees as follows:

4.01.5.1 UHC will deem any MPA Request ineligible until Lender shall deliver to UHC (by fax, mail or hand) the following documents for the Mortgage Loan:

4.01.5.1.1 A copy of the current form of Loan Application Certification/Recapture Summary (Reimbursement) (UHC Form 045) *or, in the case of the DreamSaver Program, Loan Application Certification/Recapture Summary (Reimbursement (UHC Form 156),* signed and dated by the Applicant; and

4.01.5.1.2 One of the following underwriting documents:

4.01.5.1.2.1 Automated Underwriting Findings Report if automated system issues "Accept", "Approve" or "Refer" (but only if "Refer" is issued solely based on insufficient credit information), or

* Revised 10/14/08

4.01.5.1.2.2 Underwriter's signed Credit-only approval. (The Credit-only approval should not be subject to any conditions that would indicate any question about the ability of the Applicant to actually proceed to Closing as long as the Residence meets guidelines.)

4.01.6 Prior to closing the Mortgage Loan, Lender shall obtain a copy of the MPA to verify the interest rate commitment issued and the Mortgage Loan amount reserved.

4.02 Delivering Mortgage Loans To UHC

4.02.1 If UHC issues an MPA, Lender must close the Mortgage Loan and deliver to UHC all the items required under the Participation Documents **no later than the one month following Closing or the Final Mortgage Delivery Date, whichever is earlier.** If Lender fails to do so, it shall be subject to the penalties specified in the Participation Documents.

4.02.2 In the event that Lender requests a modification of an MPA and UHC consents to such modification, UHC shall issue an amended MPA to Lender.

4.02.3 Lender represents and warrants that all information provided by Lender in connection with an MPA Request, including without limitation the descriptions of the Borrower, Co-Borrower, Co-Signer, Residence and Mortgage Loan Amount, is true and correct.

4.02.4 Lender reaffirms its representations, warranties and covenants set forth in the Participation Documents including, without limitation, its representations and warranties regarding its status and qualification as a Lender. Lender affirms that it has access to Exhibit B to Participation Agreement and other Participation Documents.

4.02.5 The obligations, representations and warranties of Lender referred to in the MPA and the Participation Documents shall continue in full force and effect notwithstanding the duration, assignment or transfer of the servicing of the Mortgage Loan, the status of payments under the Mortgage Loan, whether current or delinquent, or the payment in full of the Mortgage Loan.

4.02.6 Upon the issuance of an MPA, UHC agrees to purchase from Lender the Mortgage Loan (and the FirstHome Plus Subordinate Mortgage Loan, if applicable) upon its delivery in compliance with the terms, conditions, representations and warranties contained in the Participation Documents.

4.02.7 Lenders must request an MPA only for qualified Applicants, and Lenders must cancel an MPA for Mortgage Loans that will not be delivered as agreed. Lenders who, in the sole opinion of UHC, do not fulfill this mandate may be fined as outlined in the Participation Documents and may also be denied participation in UHC Programs.

4.03 Written Cancellation and Non-Delivery Fee

4.03.1 In order for UHC to re-commit funds from an Acquisition Pool to a Lender with the next eligible Applicant, Lender must deliver a written MPA cancellation to UHC when circumstances occur that will prevent MPA funds requested from being used for a particular Applicant. Lender

must notify UHC in writing of a cancellation within two business days of Lender's making such determination or having knowledge of such circumstances.

4.03.2 For any MPA cancellation request received from Lender or for an MPA that expired or was cancelled by UHC (including those for which an extension has been issued), Lender will, at the sole option of UHC, be charged a non-delivery fee of \$400 together with any applicable late-delivery fees or extension fees. The non-delivery fee and any other applicable fees may, at the sole option of UHC, be deducted by UHC from any future Mortgage Loan purchase. In addition, UHC may take any or all actions outlined in the Participation Agreement. Should UHC, at its sole option, identify a pattern of continuing non-deliveries, it may use any of the remedies outlined in the Participation Agreement.

4.04 Resubmission of Mortgage Purchase Agreement Requests

Any Applicant for whom an MPA is issued by UHC and which is subsequently canceled or expired will be ineligible for another MPA Request for six months from the date the cancellation or expiration is recorded by UHC.

4.05 Mortgage Purchase Agreement Request Processing

4.05.1 UHC will generally issue an MPA in the order in which the MPA Request and required materials are received and approved. UHC may continue to accept MPA Requests even though any or all Acquisition Pools may be fully reserved.

4.05.2 If all available Acquisition Pool funds have been committed or if UHC has discontinued issuing MPAs under any or all Acquisition Pools, UHC will add incoming MPA Requests in the order received to the list of "Submissions Tentatively Accepted and Waiting for an MPA". Requests on this list will not be for Mortgage Loans with a particular interest rate but will be for any rate which UHC may make available.

4.06 Closing And Mortgage Purchase Agreement Consistency

4.06.1 Upon receipt of the MPA, Lender must close the Mortgage Loan in the amount stated for the interest rate specified. UHC will be under no obligation to purchase a Mortgage Loan closed for an amount which is different than, or at an interest rate that is different from, that which is specified on the MPA.

4.06.2 Lender may request that UHC increase the Mortgage Loan amount specified on an MPA. However, UHC will only comply with the request if, in its sole discretion, UHC determines that sufficient funds are available. If the request can be granted, UHC will furnish an amended MPA.

4.06.3 If, after the MPA has been issued to Lender, Lender needs to change one or more items on the MPA (including the Residence address), Lender must submit a change request to UHC and obtain an amended MPA.

4.06.4 Because of UHC’s covenant that it will not purchase more than an aggregate of 10% VA Guaranteed Mortgage Loans, UHC will be under no obligation to purchase a VA Guaranteed Mortgage Loan for which the MPA Request failed to identify it as a VA Mortgage Loan.

4.07 Final Mortgage Delivery Date and Extensions of the Final Mortgage Delivery Date

4.07.1 Each Mortgage Loan must be delivered to UHC by the **earlier** of: (1) **one month following Closing**, or (2) the **Final Mortgage Delivery Date** (the date specified on the MPA).

4.07.2 Extensions to the applicable Final Mortgage Delivery Date may, at the sole discretion of UHC, be granted providing that Lender completes one of the following steps before the applicable Final Mortgage Delivery Date:

4.07.2.1 Lender must deliver a written extension request to UHC; or

4.07.2.2 Lender must complete an on-line extension request on the UHC web site

4.07.3 Requested extensions shall extend only the applicable Final Mortgage Delivery Date and shall result in the extension fee(s) shown in the following schedule:

<u>Initial Final Mtg. Delivery Date</u>	<u>Additional Time*</u>	<u>Extension Fee</u>	<u>Total Rate Lock Period</u>	<u>Total Extension Fee</u>
6 weeks at no cost	Additional 2 weeks	\$200	2 months	\$200
	Additional 1 month	\$300	3 months	\$500
	Additional 1 month	\$400	4 months	\$900
	Additional 1 month	\$500	5 months	\$1,400
	Additional months	\$500	as requested	add \$500 per mth.

***Except that the initial Final Mortgage Delivery Date may never be more than 30 days after Closing.**

4.08 MPA Expiration

Lender’s failure to either (1) deliver the Mortgage Loan file or (2) complete the extension request, shall cause the MPA to expire.

4.09 Late Delivery Fee

A Lender that delivers a Mortgage Loan after the applicable Final Mortgage Delivery Date without UHC’s prior written extension, and which UHC, in its sole discretion, agrees to purchase, shall be charged a late-delivery fee of \$250 for each month or part thereof beyond the Final Mortgage Delivery Date (as extended, if applicable) and any applicable extension fee(s). UHC shall deduct late-delivery fees from the Mortgage Loan purchase price.

PART V

MORTGAGE PURCHASE PROCEDURES

5.01 Mortgage Submission Package

5.01.1 Mortgage Loans must be delivered to UHC at its principal office or such other place as it may designate.

5.01.2 Lender shall deliver to UHC, with respect to each Mortgage Loan, a mortgage submission package in a form and in the document order specified by UHC on its current form of Checklist for File Submission (UHC Form 144) **or, in the case of a DreamSaver Mortgage Loan, the DreamSaver Checklist for File Submission (UHC Form 159)**.

5.01.3 Each Mortgage Note or Subordinate Mortgage Note must include an endorsement, executed by a person on file with UHC as an authorized signer of Lender, and worded as follows:

Pay to the order of Utah Housing Corporation without recourse

5.01.4 Upon delivery of each mortgage submission package, the submitted materials are reviewed for completeness, document order, and legal compliance. *In addition, UHC will confirm receipt of the FHA mortgage insurance certificate (MIC) before a loan will be eligible for purchase. *

5.01.5 Submission packages not submitted in the required document order may, at UHC's sole discretion, be returned to Lender and a reconsideration fee of \$250 may be charged to Lender if UHC accepts a second submission of a returned package. UHC will make written request to Lender for any fees due and Lender will have one month from the date of UHC's letter to pay amounts due. Failure of Lender to do so will be a Default and amounts due will be subject to deduction from any future Mortgage Loan purchase.

5.01.6 For acceptable submission packages, a Mortgage Submission Package Corrections Notice is prepared and sent to Lender to itemize any additional or corrected items that must be sent to UHC. The corrections are also itemized on the UHC web site for constant access by Lender. If the submission package has the initially-required documents, the Mortgage Loan is purchased as an Incomplete Mortgage Loan.

5.01.7 If the submission package does not contain the required documents to be eligible for purchase, that fact will be clearly stated on the Corrections Notice to be sent to Lender. If, within one month from the date the original submission package is received by UHC, the necessary items have not been received to make the submission package eligible for purchase, UHC may, at its sole discretion, take one of the following actions:

5.01.7.1 Accept the package late and charge a \$250 reconsideration fee , or

* Revised 5/8/08

** Revised 10/14/08

5.01.7.2 Re-assign the Mortgage Loan to Lender and charge the \$400 non-delivery fee.

5.01.8 Any reconsideration fee or non-delivery fee not received by UHC within one month of a written notice from UHC to Lender requesting the same, may be netted from the next purchase of one or more Mortgage Loans from Lender.

5.02 Incomplete Mortgage Loans

5.02.1 UHC may, at its sole option, purchase an Incomplete Mortgage, as defined in the Participation Agreement. For any Incomplete Mortgage that UHC purchases, Lender shall have six months from such purchase to provide to UHC any documents or information UHC reasonably requests to be delivered for completion of the mortgage submission package. If Lender delivers the documents or information UHC requires within the applicable period, such Incomplete Mortgage shall no longer be deemed an Incomplete Mortgage.

5.02.2 If Lender fails to deliver the documents or information required by UHC to complete the mortgage submission package for any such Incomplete Mortgage within six months, UHC may, at its sole discretion, choose one of the following actions:

5.02.2.1 Require repurchase of the Incomplete Mortgage and Subordinate Mortgage, if applicable, by Lender by no later than one month from the date of written notice from UHC to Lender, or

5.02.2.2 Accept the required documentation late.

5.02.3 In the event of a failure of Lender to repurchase the Incomplete Mortgage, if so required by UHC in accordance with the terms contained in this Selling Supplement, Lender shall be in default and UHC is entitled to the remedies set forth in the Participation Agreement.

5.03 UHC's Right to Reject Mortgage Loans

Notwithstanding anything in the Participation Documents to the contrary, UHC shall at all times have the right to decline to purchase any Mortgage Loan delivered to it by Lender if, in the reasonable opinion of UHC, the Mortgage Loan does not conform to the requirements of the Act, UHC's Rules, the Participation Documents, the applicable general Resolution, the Trust Indenture of UHC or the Code.

5.04 Purchase of Mortgage Loans

5.04.1 UHC, in its sole discretion, may purchase a Mortgage Loan in a principal amount exceeding that specified on the MPA.

5.04.2 The Mortgage Loan purchase price shall be 100% of the outstanding principal balance thereof, plus unpaid accrued interest thereon as of the date of purchase, together with any other adjustments specified in this Selling Supplement.

5.04.3 The Subordinate Mortgage Loan purchase price shall be 100% of the outstanding principal balance thereof, plus unpaid accrued interest thereon as of the date of purchase. No late-delivery fees shall be paid for Subordinate Mortgage Loans as long as they are delivered in acceptable content and format simultaneously with the Mortgage Loan.

5.04.4 Following a determination by UHC that a Mortgage Loan is eligible for purchase, UHC will request the trustee for the related series of Bonds to disburse funds to Lender or its designee. Such disbursement will be in an amount equal to:

5.04.4.1 The amount of the Mortgage Note,

5.04.4.2 Plus accrued interest from the date of the last paid installment to, but not including, the date of purchase by UHC,

5.04.4.3 Plus any amount due Lender for a servicing release fee and interim servicing fee,

5.04.4.4 Less any Mortgage Loan payment whose due date is on or before the purchase date,

5.04.4.5 Less any late-delivery fees, extension fees, non-delivery fees, reconsideration fees, or discount fees (if specifically authorized on Schedule B of Participation Agreement).

5.04.4.6 Less the servicing fee of .33% per annum for the same period,

5.04.4.7 Less amounts to be kept by UHC for escrow deposit, tax service fee or buydowns.

5.04.5 All whole-month interest calculations are made using 30-day months, 360-day years. Interest calculations for periods of less than one month are based upon a 365-day year.

5.04.6 UHC will make delivery of payment for Mortgage Loans purchased according to the instructions UHC has on file, provided by Lender on Mortgage Payment Instructions (UHC Form 126).

EXHIBIT A TO SELLING SUPPLEMENT

Lender Portal Usage Manual

Any person may visit the initial page of the UHC web site Lender Portal and access a variety of helpful information there. The restricted section of the Lender Portal, however, is to be accessed only by Lender employees with whom the Lender has shared the required User ID and Password.

A. Lender Portal Security Policy:

1. UHC will initially send written instructions regarding the User ID and Password to senior management of each Lender. Instructions will also be included about how the required password may be changed periodically by a Lender System Administrator as necessary.
2. Lender shall be responsible for safeguarding passwords or other UHC-issued security information and shall only disclose such information to authorized persons.

B. Lender Portal Restricted Area Login:

1. **User ID** – The appropriate Lender-specific identification code to be issued to each Lender by UHC must be entered in the box provided. **User ID is CASE SENSITIVE.**
2. **Password** – Lender-specific password chosen by Lender management must be entered in the box provided. UHC will issue a temporary Password initially and Lender must subsequently change the password as needed to maintain security as personnel changes occur or suspected security breaches are discovered. **PASSWORD is CASE SENSITIVE.**

C. Lender Portal Buttons:

1. **Login Screen** – Return to initial Lender Portal page where login information may be entered by Lender employee.
2. **Follow Up** – Access the list of all Incomplete Mortgage Loans of Lender. These Mortgage Loans still need documents or information submitted to UHC to comply with a written request previously issued to Lender. By clicking on the individual Mortgage Loan numbers shown on the list, Lender may see which items are still outstanding.
3. **In Progress** – Access the Lender pipeline of UHC reservations and Mortgage Loans in the following stages shown in the column with heading CD:
 - a. **1 through 5** – Some initial reservation request information entered but information did not pass the required edit for compliance and accuracy. Still waiting for corrected information from Lender.
 - b. **Number 6** – Entered information has passed the UHC edit and is waiting for Lender to click on the button to submit the file for **Submit for Commitment**.
 - c. **A** – MPA Request information entered has passed required edits and is awaiting the issuance of the MPA with its interest rate specified by UHC.

- d. **B** – MPA has been issued and Mortgage Loan may be closed.
 - e. **C** – Mortgage Loan has been closed and the required file(s) has been received by UHC.
 - f. **D** – UHC has reviewed the submitted documentation and information for the delivered Mortgage Loan and the Mortgage Loan cannot be purchased yet because of missing items.
 - g. **E** – UHC has completed its review of the Mortgage Loan information and the Mortgage Loan is eligible to be purchased in the next weekly purchase.
 - h. **F** - Processing of the weekly Mortgage Loan purchase is complete and Lender either: (I) will soon receive funding for the Mortgage Loan or (ii) has already received funds for purchase of the Mortgage Loan.
4. **Mortgage Purchase Agreement Request** – Lender may input information through the UHC web site and request an MPA for a specific amount, a specific Borrower and a specific Residence; however Lender must also fax the two requested items before an MPA will be returned to Lender. The data input process is set up in two (2) phases to eliminate unnecessary work.
- a. **Phase 1** – Lender inputs approximately one dozen information items (i.e. social security number, name, address of the property to be acquired, household members, income, cost of home) and the UHC system performs a preliminary eligibility edit to determine if there is some obvious problem that would preclude the Applicant from obtaining UHC’s commitment. Error messages inform Lender of any problems.
 - b. **Phase 2** – After the Phase 1 input has passed all edits, the UHC system automatically displays the input fields for Phase 2 and carries forward the information already entered in Phase 1.

Lender inputs the additional Phase 2 information (i.e. demographic information about Applicant, phone numbers, data about the property, facts about the Mortgage Loan and its insurer/guarantor). The whole package is then subjected to the final edit process. Again, any problems are reflected in error messages on the screen and Lender must make corrections and perform additional research as necessary.

If the on-line application process needs to be interrupted for a time while additional information is obtained or verified, the material already inputted will be saved for 5 days for subsequent modification by Lender.

- c. ***Tips about Input Fields*** – Although the information required for most fields is self-explanatory, a few fields have special needs or additional features that will be explained below:

Error Messages – Error messages appear in a small pop-up screen. Click on the error message to go directly to the input box containing the error.

City – If an ***error*** message results from inputting a city name, Lender should type ‘L’ in the city field and then hit the tab key. A list of cities will appear from which Lender should make a revised selection. (For example, areas formerly known as Granger will now require the name of West Valley City.)

Zip Code – If an error message appears, Lender should type ‘Z’ in the zip code field and then hit the tab key. The system will go directly to an on-line map to attempt

to show the location for clarification and will also list the address with the correct zip code for the location shown. If the location shown is not correct, Lender should input additional information to seek additional help.

Census Tract – If Lender is uncertain about the correct Census Tract, type ‘C’ in the census tract field and hit the tab key. The UHC system will automatically bring up the US Census Bureau system that allows an address to be entered to ascertain the current Census Tract. It may be necessary to scroll down to see the line that shows the Census Tract.

Note: The street address, city and zip code entered on the UHC’s Website will be automatically carried to the Census Bureau web site when following the procedure outlined in the preceding paragraph.

Condo or PUD – If the property to be financed is a unit in condo or PUD, Lender must determine the 4-character Project Code and input it in the box for that purpose. To determine the Project Code, click on the underlined words “Project Code” to be shown a list of the condos or PUDs (depending on which selection Lender already checked).

FHA Case # or VA LGC # - If Lender is requesting an MPA shortly after application and the applicable FHA or VA number is not yet known, it may be left blank and be included in the file submission after Closing.

Credit Scores – There are three (3) blanks for Borrower, Co-Borrower and the Co-signer (if applicable). Each available score must be entered.

Submit for Editing button-bar – When Lender has completed the input for all the necessary Applicant, Residence and Mortgage Loan information, Lender must click on the button-bar at the bottom marked ‘Submit for Editing’. The editing process may take several seconds. If all data passes the edit, a message will appear on the screen that says:

The following request has passed those edits that allow it to be considered for a MPA. Please certify that the entered information is correct and that you want na MPA to be issued by clicking the "SUBMIT FOR COMMITMENT" button.

***EXHIBIT B**
To Selling Supplement

DreamSaver Program

DreamSaver is a temporary UHC refinance program authorized to help Qualified Subprime Borrowers.

Qualifications:

1. Qualified Subprime Loan
 - a. Adjustable interest rate (ARM) loan
 - b. Loan(s) originated after January 1, 2002 and before January 1, 2008
2. Home is sole residence owned by Borrowers
3. Home is and will continue to be owner-occupied
4. Borrower did not intentionally default on existing loan
5. Borrowers must have made at least six house payments during the life of the existing first mortgage loan, but may now be either delinquent or current on their mortgage payment(s).
6. Total Mortgage Debt-to-Income ratio exceeded 31% as of March 1, 2008
7. Meets all Utah Housing guidelines set forth in the Participation Documents (except those requiring that the transaction pertain to a home purchase and those requiring that the Borrower meet the federal guidelines for a “first-time homebuyer”).
8. The current appraised value of the Residence may not exceed 90% of the applicable UHC Acquisition Cost Limit.
9. Meets all Federal Housing Administration (FHA) guidelines for the Hope for Homeowners program.
10. May not have taken, or plan on taking, the federal “first-time homebuyer tax credit of up to \$7,500.

Definitions:

Adjustable Rate Mortgage (ARM) means a loan whose loan documents allow the initial interest rate in effect at Closing to change (up or down).

Total Mortgage Debt-to-Income Ratio means the ratio created by dividing the aggregate of all mortgage payments (first mortgage and subordinate mortgages, if applicable) by the Borrower’s verified gross monthly income.

Interest Rate:

DreamSaver interest rates will be specified by UHC on the Mortgage Purchase Agreement.

Loan Fees:

All fees must be usual and customary and in complete compliance with FHA guidelines and the requirements of any other state or federal statutes or regulations.*

* Added 10/14/08