

**FIRST AMENDED AND RESTATED
AGREEMENT REGARDING DOWNPAYMENT ASSISTANCE
HOUSE KEY PLUS ARCH (EAST KING COUNTY) PROGRAM**

THIS FIRST AMENDED AND RESTATED AGREEMENT REGARDING DOWNPAYMENT ASSISTANCE, dated as of June 6, 2007 (the "Agreement"), is made and entered into by and between the Washington cities of Bellevue, Clyde Hill, Kenmore, Kirkland, Medina, Mercer Island, Newcastle, Redmond, Issaquah and Woodinville; each a Washington municipal corporation (each a "City" and collectively, the "Cities"); King County, a home rule charter county and a political subdivision of the State of Washington (the "County"); and the Washington State Housing Finance Commission, a body corporate and politic and an instrumentality of the State of Washington (the "Commission"). This agreement supersedes and replaces the original Agreement Regarding Downpayment Assistance, House Key Plus ARCH (East King County) Program, dated September 12, 2005 (the "Original Agreement").

RECITALS

WHEREAS, the Cities participate in a special fund allocation process, capitalized with local revenues, called the Affordable Housing Fund, for the purpose of creating and preserving affordable housing for low and moderate income households;

WHEREAS, the City of Bellevue, by Ordinance No. 4251, has established a special purpose fund, capitalized with local revenues, called the Affordable Housing Fund, for the purpose of creating and preserving affordable housing for low and moderate income households;

WHEREAS, the City of Redmond has established a special purpose fund, capitalized with local revenues, called the Housing Fund, for the purpose of creating and preserving affordable housing for low and moderate income households;

WHEREAS, the Cities of Issaquah, Kirkland, Mercer Island, Kenmore, Newcastle, Woodinville, Clyde Hill and Medina participate in a special fund allocation process, capitalized with local revenues, called the A Regional Coalition for Housing (ARCH) Housing Trust Fund, for the purpose of creating and preserving affordable housing for low and moderate income households;

WHEREAS, the Cities, in keeping with their adopted policies regarding affordable housing, find it desirable and advantageous to make available to the Commission funds to support a down payment loan program for low and moderate income households;

WHEREAS, the County has adopted the provision of home ownership assistance programs for low- and moderate-income households that are prepared to become first-time home owners as a key strategy of its Consolidated Housing and Community Development Plan;

WHEREAS, while many potential homebuyers may be able to make monthly mortgage payments especially at a time of relatively modest interest rates, a primary obstacle to homeownership remains the ability of working individuals and households to amass adequate funds for downpayment and closing costs;

WHEREAS, the Commission has developed a program to provide financial assistance to single-family homebuyers in the form of second, subordinate loans to provide downpayment and closing cost assistance in cooperation with local mortgage lenders, the Federal National Mortgage Association and the Federal Housing Administration;

WHEREAS, the Cities, County and the Commission established the House Key Plus ARCH (East King County) Program ("the Program") as a pilot program with an initial fund commitment of \$200,000 from cities that are members of ARCH, as identified in Exhibit C; \$300,000 from King County in American Dream Downpayment Initiative (ADDI) funds from the federal HOME Investment Partnership ("HOME") Program, including \$286,772 in 2003 ADDI funds and \$13,228 in 2004 ADDI funds, and \$300,000 from the Commission, with the intent that additional funding to extend the Program may be deemed appropriate based upon the results of an analysis of the Program and upon the availability of Commission, Cities, County and other funds;

WHEREAS, the Cities, County and the Commission have agreed to recapitalize the House Key Plus ARCH (East King County) Program ("the Program"), by committing an additional \$200,000 from cities that are members of ARCH, as identified in Exhibit C; \$300,000 from King County in 2004 American Dream Downpayment Initiative (ADDI) funds from the federal HOME Investment Partnership ("HOME") Program, and \$300,000 from the Commission, prior to a joint evaluation of the Program;

WHEREAS, the purpose of this First Amended and Restated Agreement is to set forth the terms and conditions by which the Cities will use a portion of the ARCH housing trust fund to support the Commission's administration of the Program;

WHEREAS an additional purpose of this First Amended and Restated Agreement is to set forth the requirements for the use of federal HOME American Dream Downpayment Initiative (ADDI) funds as prescribed by the U.S. Department of Housing and Urban Development (HUD);

WHEREAS, this First Amended and Restated Agreement is entered into pursuant action taken by the Cities to provide funding to the Program and identified in Exhibit C, as amended;

NOW, THEREFORE, in consideration of the mutual agreements hereinafter contained, the parties hereto agree as follows:

AGREEMENT

1. Definitions

1.1 "Annual Income" means "annual income" as defined at 24 CFR Section 5.609, as estimated by projecting the prevailing rate of income at the time when a determination of income eligibility is made or required. Annual Income shall include income of all Household members, except as excluded by laws, regulations or HUD interpretations applicable to income determinations under that Section.

1.2 "ARCH" means A Regional Coalition for Housing ("ARCH"). ARCH is an organization formed under Chapter 39.34 RCW by the agreement of several local

jurisdictions, including the Cities, one of whose purposes is the coordination and administration of local affordable housing projects and programs, and which shall be acting as the designee for the Cities for the purposes set forth in this Agreement.

- 1.3 “ARCH Funds” means the combined amount of funds for each Second Mortgage from those Cities that are members of ARCH.
- 1.4 “Cities’ Contribution” means, at any time, the cumulative amount of funds disbursed by the Cities, or ARCH as the Cities’ designee, to or for the benefit of the Commission under this Agreement, less any amounts paid to the Cities following termination of this Agreement.
- 1.5 “Cities’ Loan Amount” means, for each Second Mortgage purchased by the Commission, the excess, if any, of (a) the total amount paid by the Commission, consistent with this Agreement, to acquire such Second Mortgage, over (b) the Commission Loan Amount and the Loan Amount of any other public funders providing funds for each Second Mortgage as described in Section 7.6 of this Agreement.
- 1.6 “Cities’ and Commission’s Loan Receipts Account” means a separate account maintained by the Commission or the Servicer at a financial institution acceptable to the Cities, for the deposit of all payments on Second Mortgages and any other obligations, instruments, securities or other property in the Loan Pool, less the County’s Proportionate Share of Loan Receipt.
- 1.7 “Cities’ Interest” means for each Second Mortgage for which the Cities makes any reimbursement hereunder, the sum of the Loan Receipts for that Second Mortgage during such quarter, multiplied by the Cities’ percentage interest in such Second Mortgage under Section 7.1 hereof, determined by taking into account any reimbursement made prior to the end of such calendar quarter or to be made pursuant to a request made by the Commission for such calendar quarter.
- 1.8 “Cities’ Share” means the Cities’ Proportionate Share of a Second Mortgage as specified in Section 7.1 of this Agreement, for any calendar quarter or portion thereof, an amount equal to the product of the Proportionate Share multiplied by the excess of the total Loan Receipts for such quarter.
- 1.9 “Commission Contribution” means (a) the total amount of money expended by the Commission to acquire Second Mortgages that become part of the Loan Pool, reduced by any amounts retained by the Commission in respect of payments or amounts recovered on any Second Mortgage Loan, minus (b) the Cities Contribution and the County’s Contribution.
- 1.10 “Commission Loan Amount” means, for any Second Mortgage listed in a request for reimbursement hereunder, the lesser of (a) \$15,000, or (b) the Commission’s Proportionate Share of a Second Mortgage amount as specified in Section 7 of this Agreement.

- 1.11 "Commission Share" means, for any calendar quarter, the total Loan Receipts less the sum of the County and Cities' Share for such quarter.
- 1.12 "County Contribution" means, at any time, the cumulative amount of HOME Funds disbursed by the County to or for the benefit of the Commission under this Agreement, less the sum of any amounts that become payable to the County for the purchase of the County's interest in Second Mortgages upon termination of this Agreement.
- 1.13. "County Loan Amount" means, for each Second Mortgage purchased by the Commission, (a) the total amount paid by the Commission, consistent with this Agreement, to acquire such Second Mortgage, minus (b) the Commission Loan Amount and the Loan Amount of any other public funders providing funds for each Second Mortgage as described in Section 7.6 of this Agreement.
- 1.14 "County's Loan Receipts Account" means the separate account set up by the Commission at a financial institution acceptable to the County for the County's Proportionate Share of Loan Receipts from Loans made with HOME Funds.
- 1.15 "County Interest" means, for each Second Mortgage for which the County makes any reimbursement hereunder, the sum of the Loan Receipts for that Second Mortgage during such quarter, multiplied by the County's Proportionate Share interest in such Second Mortgage under Section 7.2 hereof, determined by taking into account any reimbursement made prior to the end of such calendar quarter or to be made pursuant to a request made by the Commission for such calendar quarter.
- 1.16 "Deed of Trust" means a deed of trust securing a Second Mortgage loan.
- 1.17 "East King County" means the area that includes the incorporated city areas that are members of A Regional Coalition for Housing, and those unincorporated areas as found in the Program Manual.
- 1.18 "Eligible Homebuyer" means one or more adult members of a Household who sign the Deed of Trust, related Promissory Note and other documents required for a Second Mortgage; who have completed a Homebuyer Education Program; and whose Household has an Annual Income (as of the date of signing the purchase agreement, in the case of new home being constructed, or as of the date of purchase, in the case of an existing home) that does not exceed:
- 1.18.1 In the case of Second Mortgages not using HOME Funds, one hundred and sixty percent (160%) of the very low income family income (50% of median income) for the Seattle-Bellevue-Everett Primary Metropolitan Statistical Area, as then most recently published by HUD, adjusted downward in the case of a Household size of less than four persons, and adjusted upward in the case of a Household size of more than four persons, in each case by the same percentages as are applied by HUD to adjust eligible income levels for occupancy of public housing; and

- 1.18.2 In the case of Second Mortgages using HOME Funds, the maximum income level in 24 CFR 92.203 and any other federal regulations applicable to loans of HOME Funds for home buyer assistance and are First-Time Homebuyers as defined in 24 CFR 92.2.
- 1.19 “Household” means “family” as described in 24 CFR Section 5.403, or successor provision, and includes an individual person.
- 1.20 “Homebuyer Education Program” means a program of education and counseling for persons intending to become First Time Homebuyers conducted by a nonprofit housing counseling agency or a Mortgage Lender approved by the Commission. The curriculum shall include a five hour Commission-approved homebuyer seminar plus a one-on-one pre-purchase homebuyer counseling session provided by the housing counseling agency. The pre-purchase counseling shall be offered to applicants upon loan approval. Mortgage lenders shall refer approved applicants to the nonprofit housing counseling agency.
- 1.21 “HOME” means the federal HOME Investment Partnerships Act Program.
- 1.22 “HOME Funds” means American Dream Downpayment Initiative (ADDI) funds derived from the federal grant to the County under HOME, including program income as defined in HUD regulations for HOME.
- 1.23 “HOME Program Income” means all Home Loan Receipts plus any interest income earned on the County Loan Receipts Account.
- 1.24 “HUD” means the United States Department of Housing and Urban Development or any successor to its functions.
- 1.25 “Loan Documents” means, with respect to any loan, each original document evidencing or securing the loan (or any part thereof), and all documents incidental or collateral to the loan, including without limitation, the note or notes evidencing the loan, the deed of trust, each guarantee securing the loan, all applications, loan commitments, reports, security and loan agreements, disclosure statements, appraisals, loan settlement statements, title evidence, title insurance, hazard insurance, flood liability insurance, and all other insurance policies and any assignments thereof, correspondence applicable to the loan, and all other documents relating to the loan, all as the same may be amended, and all such documents or instruments subsequently executed and delivered.
- 1.26 “Loan Pool” means all Second Mortgages that are purchased by the Commission for which the Commission receives a reimbursement under this Agreement, and replacements, substitutions, or property (other than money) received in place of, or in respect of the rights of the holder pursuant to, any Second Mortgages that have not been removed from the Loan Pool pursuant to the terms of this Agreement.
- 1.27 “Loan Receipts” means, for any period, all payments and collections actually received by or for the benefit of the Commission or its Servicer on account of any Second Mortgages and other assets in the Loan Pool, including without limitation

payments on account of principal, interest, shared appreciation, and insurance proceeds.

- 1.28 “Modest Housing” means the housing defined in 24 CFR 92.254(a) (2).
- 1.29 “Mortgage Lender” means a bank or other financial institution approved by the Commission, the Cities and the County to originate Second Mortgage loans for purchase under this Agreement. An Approved Mortgage Lender list is to be made available by the Commission.
- 1.30 “Origination Agreement” means an agreement between the Commission, Servicer and a Mortgage Lender with respect to the participation of the Mortgage Lender in the Program.
- 1.31 “Proportionate Share” means the Cities’, County’s and Commission’s percentage share of each Second Mortgage, based upon the percentage of the Cities’ Contribution, County’s Contribution and Commission’s Contribution.
- 1.32 “Program” means the House Key Plus ARCH (East King County) Program as established by this Agreement, as more particularly described in the Program Manual attached hereto as Exhibit A.
- 1.33 “Program Manual” means the manual for the Program attached to this Agreement as Exhibit A, including all attachments; as such manual and attachments may be modified from time to time with the express written consent of, the County, Cities or their designee ARCH, and the Commission.
- 1.34 “Promissory Note” means the written instrument executed to evidence the Mortgagor’s obligation to repay the Second Mortgage, which shall be substantially in the form attached to the Program Manual (Exhibit A).
- 1.35 “Qualifying Home” means a legal dwelling unit in East King County. This home can be a detached single family resident or town home on its own lot and includes such lot and any appurtenances; a condominium unit which includes all rights in common elements and other rights appurtenant to the unit; or a manufactured housing unit that meets the Manufactured Home Construction and Safety Standards established in 24 CFR Part 3280. A Qualifying Home, as of the date of purchase by an Eligible Homebuyer:
 - 1.35.1 is “Modest Housing”;
 - 1.35.2 satisfies federal Housing Quality Standards as defined in 24 CFR Section 982.401, and satisfies all other applicable standards in the Program Manual;
 - 1.35.3 is single family housing as defined in 24 CFR 92.254 (a)(1); and
 - 1.35.4 may be legally sold separately from any other dwelling unit or structure, whether as a separate lot or condominium unit..

- 1.36 “Second Mortgage” means a second lien loan purchased by the Commission for inclusion in the Loan Pool, and the Note, Deed of Trust and other Loan Documents evidencing and securing such loan.
- 1.37 “Servicer” means a financial institution now or hereafter under contract with the Commission to administer and service the Second Mortgages in the Loan Pool. At the time this Agreement is executed, the Servicer is identified as Countrywide Home Loans, 8501 Fallbrook Avenue, Mail Stop WE-50D, West Hills, California 91304.
- 1.38 “Start Date” means the effective date of this Agreement.

2. Program and Funding; Schedule; Budget

The Program will provide downpayment and closing cost assistance to Eligible Homebuyers acquiring homes in East King County. Subject to the terms and conditions of this Agreement:

2.1 Original Funding

(a) the Cities will provide loan funds (“Cities’ Contribution”) in the amount of \$200,000 to finance, in part, qualified second mortgages for downpayment and closing costs assistance for low-, and moderate-income home buyers; (b) the Commission will contribute funds (“Commission Contribution”) from its Program Investment Fund in the amount of \$300,000; and (c) the County will contribute \$300,000 of American Dream Downpayment Initiative (ADDI) funds (“County Contribution”). The Commission will endeavor to ensure that all Second Mortgage Loans funded with HOME Funds are to be originated no later than two years after the effective date of the First Amended and Restated Agreement. Funds remaining (or recaptured from resale of an assisted unit) in the original capitalization shall be held separately from and used before funds from the first recapitalization funding.

2.2 First Recapitalization Funding

(a) the Cities will provide loan funds (“Cities’ Contribution”) in the amount of \$200,000 to finance, in part, qualified second mortgages for downpayment and closing costs assistance for low-, and moderate-income home buyers; (b) the Commission will contribute funds (“Commission Contribution”) from its Program Investment Fund in the amount of \$300,000; and (c) the County will contribute \$300,000 of American Dream Downpayment Initiative (ADDI) funds (“County Contribution”). The Commission will endeavor to ensure that all Second Mortgage Loans funded with HOME Funds are to be originated within two years of the effective date of this Agreement.

3. Commission Purchase of Second Mortgages

The Commission will purchase from Mortgage Lenders for the Loan Pool only Second Mortgages that represent loans made to Eligible Homebuyers for purposes of acquiring Qualifying Homes. The Commission may utilize the County’s Contributions and Cities’ Contributions for a portion of the cost of each such Second Mortgage as provided in Section 7.6; provided that no more than \$10,000 in HOME Funds shall be used for each Second Mortgage Loan.

4. Origination of Second Mortgages

The Commission has entered into Origination Agreements with certain Mortgage Lenders in King County and may enter into additional Origination Agreements with Mortgage Lenders. The Commission shall ensure that, prior to origination of any Second Mortgage to be purchased for the Loan Pool, there is an Origination Agreement in effect with a Mortgage Lender making such loan that is consistent with this Agreement, including the Program Manual. The Commission shall provide to the Cities, ARCH, and the County, promptly upon request, a copy of each Origination Agreement and any amendments thereto. No Origination Agreement shall purport to impose any obligation or liability on the Cities, their designee ARCH, or County. The Origination Agreements shall provide that the Mortgage Lenders will originate FHA or conventional, primary mortgage loans to Eligible Homebuyers and, in conjunction therewith, will originate and close Second Mortgages. Each Mortgage Lender will originate, close, and sell the Second Mortgages it originates for sale to the Commission in accordance with the Origination Agreement.

5. Reimbursement of the Commission by the Cities and the County

- 5.1 Requests to Cities for Reimbursements. Within 30 days after the end of each calendar quarter, beginning with the first full calendar quarter following the Start Date, the Commission shall submit a request for reimbursement to the Cities and to ARCH in a form approved by the Cities, covering all Second Mortgages purchased for the Loan Pool during such quarter. Subject to the terms and conditions herein, within 20 business days after the receipt of a timely and complete request for reimbursement, the Cities shall disburse to the Commission the amount approved by the Cities as the Cities' Loan Amounts for each Second Mortgage that is covered by the request for reimbursement and that satisfies all of the requirements of this Agreement. Alternatively, the Cities may elect to make a lump sum payment to be deposited into the Cities' Loan Receipts Account. In such case, the Commission on a quarterly basis after request for reimbursement, shall withdrawal from the Loan Receipts Account the amount approved by the Cities or its designee ARCH. Subject to the terms and conditions herein, the Cities or their designee ARCH will approve the respective amount of Cities' funds to be withdrawn by the Commission from the Cities' Loan Receipts Account. With each Request for Reimbursement, the Commission shall also submit to the Cities the documentation required in Section 12.
- 5.2 Limits on Cities' Obligation. The Cities' obligation to disburse funds hereunder is limited to the maximum amount stated in Section 2 above. In the event of any suspension or termination of this Agreement by the Cities or the County, the Cities shall not be obligated to make such disbursement, or such portion thereof.
- 5.3 Requests to County for Reimbursements. Within 30 days after the end of each calendar quarter, beginning with the first full calendar quarter following the Start Date, the Commission shall submit a request for reimbursement to the County in a form approved by the County covering all Second Mortgages purchased for the Loan Pool during such quarter. Subject to the terms and conditions herein, within 20 business days after the receipt of a timely and complete request for reimbursement,

the County shall disburse to the Commission a total loan amount approved by the County for each Second Mortgage that is covered by the request for reimbursement and that satisfies all of the requirements of this Agreement. With each Request for Reimbursement, the Commission shall also submit to the County the documentation required in Section 12.

- 5.4 Limits on County's Obligation. The County's obligation to disburse funds hereunder is limited to the maximum amount stated in Section 2 above. In the event of any suspension or termination of this Agreement by the Cities or the County, the County shall not be obligated to make such disbursement, or such portion thereof.

6. Establishment of Loan Receipts Accounts.

- 6.1 As the Commission receives Loan Receipts, the Commission shall determine the Commission's, the Cities', and the County's Proportionate Share of the Loan Receipts based on the Proportionate Share of Loan Contributions made by the Commission, the County and the Cities for each Loan.
- 6.2 The Commission shall establish a County Loan Receipt Account and shall deposit the County's Proportionate Share of the Loan Receipts in the County Loan Receipt Account within 10 days of receipt. The County Loan Receipt Account shall be an interest-bearing account, separate from other funds of the Commission.
- 6.3 The Commission shall establish a Cities' Loan Receipt Account, and shall promptly deposit the Cities' Proportionate Share of the Loan Receipts in the Cities' Loan Receipt Account. The Cities' Loan Receipt Account shall be an interest-bearing account, separate from any other funds of the Commission.

7. County's and Cities' Interest in Loan Pool and Loan Receipts Account

- 7.1 Cities' Undivided Interest. The Cities shall hold a participation interest in each Second Mortgage that the Cities have made full or partial reimbursement to the Commission hereunder. The Cities' interest in each Second Mortgage shall be its Proportionate Share. The Cities' participation interest includes in each case an interest in each Second Mortgage, which interest shall include an interest in all Loan Documents delivered at any time in connection with such Second Mortgage, all monies received pursuant to such Loan Documents, all funds or accounts maintained in connection with such Loan Documents, all security, and all claims, causes of action, rights and remedies related to each Second Mortgage, and all substitutions, proceeds, replacements, renewals, extensions and amendments for and of any of the foregoing.
- 7.2 County's Undivided Interest. The County shall hold a participation interest in each Second Mortgage that the County has made full or partial reimbursement to the Commission hereunder. The County's interest shall be its Proportionate Share. The County's participation interest includes in each case an interest in each Second Mortgage, which interest shall include an interest in all Loan Documents delivered at any time in connection with such Second Mortgage, all monies received pursuant to such Loan Documents, all funds or accounts maintained in connection with such Loan

Documents, all security, and all claims, causes of action, rights and remedies related to each Second Mortgage, and all substitutions, proceeds, replacements, renewals, extensions and amendments for and of any of the foregoing. Any payment of principal and interest received from Servicer for the County's Proportionate Share of the Loan Receipts is considered HOME program income and must be paid to the County or deposited in the County Loan Receipt Account.

- 7.3 Assets Held in Trust. The Commission agrees that, pending disposition of fund amounts as authorized herein, the Commission shall hold in trust for the Cities and the County, or shall cause its Servicer to hold in trust for the Cities and County, to the extent of the Cities' interest under Subsection A of this Section and the County's interest under Subsection 7.1 of this Section, the Loan Pool and all such property and rights therein or associated therewith. The Commission further agrees that pending disbursement of fund amounts as authorized herein, it shall hold in trust for the Cities and County, or shall cause its Servicer or other financial institution, to hold in trust for the Cities and County, to the extent of the Cities' and County's respective interests as described herein, all rights in and to the Cities' Loan Receipts Account and the County's Loan Receipts Account. No disbursements shall be made from the County or Cities Loan Receipt Account except as authorized in this Agreement.
- 7.4 Priority. The Cities', County's and the Commission's interests in the Loan Pool and each Second Mortgage therein, shall be their respective Proportionate Shares and shall have equal priority. The Cities and the Commission's interest in the Cities' Loan Receipts Account shall be their respective Proportionate Shares and shall have equal priority. King County alone shall have an interest in the County Loan Receipts Account.
- 7.5 Financial Records. The Commission's financial records and reports shall appropriately reflect the Cities', the Commission's, and the County's Proportionate Share interest in the Loan Pool and the County's, Cities' and Commission's respective interest in the County and Cities' Loan Receipts Accounts.
- 7.6 Determination of City, County, and Commission Loan Amount. For each Second Mortgage, the Eligible Homebuyer's loan amount and the amount required to be funded by each participating City funder will be based on the proportions described in this Subsection 7.6.1 through 7.6.3. On an annual basis, Commission staff, Cities or their designee ARCH staff and staff from other participating funders will meet and decide if any adjustments are needed to the proportions described in this Subsection for Second Mortgages made in the coming year. For each Second Mortgage, the Commission will determine the proportional split of HOME, City or Commission loan funds.
- 7.6.1 Original Funding: For Eligible Households that qualify for County funds, the first \$10,000 of the Second Mortgage will come from County HOME funds, and the remaining balance will be funded proportionately as follows:

Commission Funds: 60%

ARCH Funds: 40%

To illustrate, for a Second Mortgage of \$27,500 that includes County funding, \$10,000 would come from King County HOME funds, \$10,500 from the Commission and \$7,000 would come from ARCH Funds.

- 7.6.2 First Recapitalization Funding: For Eligible Households that qualify for County funds, the first \$10,000 of the Second Mortgage will come from County HOME funds, and the remaining balance will be funded proportionately as follows:

Commission Funds: 60%

ARCH Funds: 40%

To illustrate, for a Second Mortgage of \$27,500 that includes County funding, \$10,000 would come from King County HOME funds, \$10,500 from the Commission and \$7,000 would come from ARCH Funds.

- 7.6.3 For Eligible Households that do not qualify for County HOME funds, the Second Mortgage will be funded as follows:

7.6.3.1 Original Funding Second Mortgages up to \$25,000

Commission Funds: 60%

ARCH Funds: 40%

To illustrate, for an \$18,000 Second Mortgage, the Commission Funds would provide \$10,800, and ARCH Funds would provide \$7,200.

7.6.3.2 First Recapitalization Funding: Second Mortgages up to \$25,000

Commission Funds: 60%

ARCH Funds: 40%

To illustrate, for an \$18,000 Second Mortgage, the Commission Funds would provide \$10,800, and ARCH Funds would provide \$7,200.

7.6.3.3 Original Funding: Second Mortgages between \$25,000 and \$30,000

Commission Funds: \$15,000

ARCH Fund Difference between loan amount and \$15,000.

To illustrate, for a \$28,000 Second Mortgage, the Commission Funds would provide \$15,000, and ARCH Funds would provide \$13,000.

7.6.3.4 First Recapitalization Funding: Second Mortgages between \$25,000 and \$30,000

Commission Funds: \$15,000
ARCH Fund Difference between loan amount and \$15,000.

To illustrate, for a \$28,000 Second Mortgage, the Commission Funds would provide \$15,000, and ARCH Funds would provide \$13,000.

7.6.4 ARCH Funds will be proportionately shared by those member cities of ARCH that make funding available to the Program. The proportion for each City will be based on the proportion of funds each makes to the Program. Initially, the proportion of funds from ARCH member cities applicable to the original funding was as follows:

Bellevue	32.50%	Mercer Island	6.25%
Clyde Hill	1.25%	Newcastle	3.75%
Kenmore	6.25%	Redmond	25.00%
Kirkland	20.00%	Woodinville	3.75%
Medina	1.25%		

The proportion of funds from ARCH member cities, applicable to the first recapitalization funding is as follows:

Bellevue	37.50%	Mercer Island	5.00%
Clyde Hill	0%	Newcastle	5.00%
Kenmore	12.50%	Redmond	17.50%
Kirkland	17.50%	Woodinville	2.50%
Medina	0%	Issaquah	2.50%

On an annual basis and in no event later than December 31, each City, or their designee ARCH, shall notify the Commission if there are any adjustments to each City's proportion for Second Mortgages in the coming year.

7.7 Use of Payments on Second Mortgages in County's Loan Receipts Account. Any loan receipts made on Second Mortgages that are deposited into the County's Loan Receipts Account will be credited toward the County. Unless otherwise directed by the County, the Commission shall use such funds to fund additional Second Mortgages to Eligible Households pursuant to the provisions of this Agreement. If the funds deposited into the County's Loan Receipts Account are not used by the Commission within three months of the deposit or if the County directs the

Commission not to use Second Mortgage proceeds to fund new Second Mortgages, the County's portion of any Second Mortgage payments will be returned to the County, and the Commission is not obligated to retain its portion of any Second Mortgage payments with the Program.

7.8 Use of Payments on Second Mortgages in Cities' Loan Receipts Account. Any loan receipts made on Second Mortgages that are deposited into the Cities' Loan Receipts Account will be credited toward each funder according to the proportion of funding they made available for each Second Mortgage. Unless otherwise directed by the individual City, the Commission shall use a City's individual percentage interest in such funds to fund additional Second Mortgages to Eligible Households pursuant to the provisions of this Agreement. If the City directs the Commission not to use Second Mortgage proceeds to fund new Second Mortgages, the City's portion of any Second Mortgage payments will be returned to the City, and the Commission is not obligated to retain its portion of any Second Mortgage payments with the Program.

7.9 Reversion of Assets. Upon expiration or termination of this Agreement, the Commission must transfer to the Cities and County any funds in the Cities' Loan Receipts Account up to the Cities Proportionate Share and the County's Loan Receipt Account.

8. Payments to the Cities, the County, and the Commission

8.1 If the Commission, the County and the Cities agree to no longer use loan repayments for generating new Second Mortgages, the Commission shall disburse, or cause the Servicer to disburse, to the Cities and the County, no later than 30 days after the end of each calendar quarter beginning with the quarter in which this Agreement is executed, the respective Cities' and County's Share of Loan receipts actually received by the Commission, and any interest accrued thereon, for such quarter.

8.2 After payment to the Cities of the Cities' Share plus any accrued interest for any calendar quarter, and after payment to the County of the County's Share plus any accrued interest for any calendar quarter, the Commission or Servicer may disburse or transfer from the Cities' Loan Receipts Account, for the Commission's own benefit, the Commission Share plus any accrued interest for that quarter.

9. Requirements for Second Mortgages

In order to qualify for financing by the County and the Cities under this Agreement, each Second Mortgage loan shall be:

9.1 made only in the amount required by the Eligible Homebuyer to close the primary loan, in accordance with procedures set forth in the Program Manual;

9.2 for a principal amount not to exceed \$30,000 and simple interest not to exceed 4%;

9.3 made to an Eligible Homebuyer;

- 9.4 for the purchase of a home to serve as the Eligible Homebuyer's principal residence, for a total purchase price not to exceed the lesser of the maximum determined pursuant to the Program Manual or the maximum permitted by HOME regulations for the type of property;
- 9.5 used for (i) downpayment assistance, and (ii) closing costs with respect to the primary loan and the cost of recording the Deed of Trust with respect to the Second Mortgage, in an aggregate amount that does not exceed applicable guidelines, if any, established with respect to the primary mortgage loan, all as permitted by Fannie Mae or FHA (HUD) guidelines, as applicable;
- 9.6 made in connection with the origination of a first lien mortgage consistent with the Program Manual, without any fees or charges by the Mortgage Lender to the Eligible Homebuyer for the Second Mortgage, and with no more than reasonable and customary fees and charges by the Mortgage Lender to the borrower for the first lien loan;
- 9.7 evidenced by a properly executed and delivered Promissory Note and secured by a second lien Deed of Trust, each in the form contained in the Program Manual;
- 9.8 for a principal amount reserved to the originating Mortgage Lender in accordance with procedures set forth in the Program Manual;
- 9.9 sold to the Commission at a price of par, at the same time that the related primary mortgage is purchased by the Commission, such sale to be completed and fully documented as specified in the Program Manual, including without limitation the delivery to the Commission of all required documentation;
- 9.10 made to an Eligible Homebuyer who has successfully completed, as certified by the provider, a Homebuyer Education Program;
- 9.11 noted on the title policy with respect to the corresponding primary loan as a subordinate lien.

10. Public Information

The Commission and the Cities or their designee ARCH shall cooperate in publicizing the Program. The Commission shall prepare and distribute general information regarding the Program. Prior to distribution of any informational material, the Commission shall provide a draft to the Cities or their designee ARCH and the County for review. Except as may be required pursuant to requests made under applicable law, the Commission shall not distribute printed materials regarding the Program that have not been approved by the Cities or their designee ARCH or County staff.

11. Training

The Commission shall be responsible for training Mortgage Lenders with respect to the Program. Responsibility for Homebuyer Education Program will be addressed in the Program

Manual and through separate Education Contracts among ARCH, the County, and a separate, nonprofit counseling agency.

12. Reports and Records

12.1 The Commission shall provide quarterly reports to the Cities, their designee ARCH, and the County not later than 30 days after the end of the quarter setting forth the following information as of the last day of the prior quarter, substantially in the form of Exhibit B:

12.1.1 The principal amount of the Second Mortgages in the Loan Pool, and accrued and unpaid interest;

12.1.2 The number and amount of Second Mortgages that have been purchased by the Commission and the intended allocation of those Second Mortgages to the Cities' Contribution, the County Contribution, and the Commission Contribution;

12.1.3 Geographic, economic and demographic characteristics of the Eligible Homebuyers;

12.1.4 Price and structure characteristics of the houses financed;

12.1.5 Second Mortgage production of each Mortgage Lender;

12.1.6 Delinquency rates on the Second Mortgages; and

12.1.7 Such other information as the Cities or their designee ARCH, and the County may reasonably request from time to time.

12.2 For Second Mortgages originated with HOME Funds, the Commission shall submit to King County supporting loan documentation and reports for each Second Mortgage originated using HOME Funds, including the following:

12.2.1 the loan application;

12.2.2 a copy of the HUD-1 final closing statement stating the Second Mortgage loan amount;

12.2.3 a copy of the Promissory Note;

12.2.4 a copy of the recorded Deed of Trust;

12.2.5 a copy of the Addendum to Residential Loan Application;

12.2.6 the gross monthly income of the Eligible Homebuyer;

12.2.7 a copy of the HQS home inspection report; and

- 12.2.8 demographic information on the home purchase; including address (including zip code), purchase price of the home, number of bedrooms, monthly mortgage amount and interest rate on first, and, if applicable, second mortgage, number of persons in the household, and other demographic information (such as race, ethnicity, type of household, as required by King County for reporting to HUD) for Second Mortgages made during the quarter.
- 12.3. The Commission shall maintain complete and accurate records of all transactions and accounts related to the Program. The Commission shall permit the Cities or their designee ARCH, the County, HUD, and their agents and auditors, to inspect and copy all such records, including without limitation records maintained in electronic format, at such times as the Cities, or its designee ARCH, the County, or HUD may request. The Commission shall, upon request of the Cities, their designee ARCH, the County or HUD promptly provide access to any and all records, including without limitation records maintained in electronic format, related to the Program or any Second Mortgage that are or shall be maintained by any Servicer or Mortgage Lender. If so requested by the Cities, their designee ARCH, the County, or HUD, the Commission shall promptly cause such records or copies thereof to be delivered to the offices of the Cities, or their designee ARCH, the County or HUD.
- 12.4 The Commission shall maintain a separate file for each Second Mortgage. The file shall contain the property address including zip code; number of bedrooms in unit; owner name; form of ownership; type of housing; number of units if not single family; and household characteristics including owner gross monthly income and percent of median income, household type, home purchase price, interest rate and mortgage amount for the First Mortgage and Second Mortgage, family size, racial and ethnic group of head of household and whether there is a single head of household (including sex thereof), and a listing of all costs and sources of funds related to the purchase.

13. Program Evaluation

The Cities, their designee ARCH, the County and the Commission will jointly analyze the Program for its efficiency and effectiveness no later than the anniversary of the Start Date unless the parties to the Agreement first commit additional funding to the Program, which shall be considered mutual consent to extend the date of the evaluation to no later than one year after the effective date of the First Amended Agreement, unless such date is extended by mutual written consent. Upon analysis, the parties will mutually determine whether to continue the Program, at what funding levels, and if the repayments will be used to purchase new Second Mortgages. An extension of the Program may require revisions to the Program terms and conditions to simplify the Program, however the Program terms shall be consistent with federal HOME regulations. This section does not obligate any party to provide additional funding for the Program.

14. HOME Requirements

- 14.1 The provisions in this section shall apply only to any Second Mortgages originated with HOME Funds.
- 14.1.1 Subrecipient Status; Uniform Administrative Requirements. The Commission understands and agrees that for those Second Mortgages that include HOME Funds from the County, it is a “subrecipient” of HOME Funds under this Agreement as to HOME Funds and shall comply with all requirements applicable to such subrecipients. The Commission shall carry out the Program in compliance with all Federal laws and regulations described in subpart H of 24 CFR Part 92, except that the Commission does not assume the County’s responsibilities for environmental review under 24 CFR Section 92.352 and the intergovernmental review process in 24 CFR Section 92.357 does not apply. Without limiting the foregoing, the Commission shall comply with applicable uniform administrative requirements as described in 24 CFR Section 92.505(b) for a subrecipient of HOME Funds, and shall cause to be performed for each year while this Agreement is in effect, and timely provide to the County, an audit report in compliance with 24 CFR Section 92.506
- 14.1.2 Eligibility of Homes. The Commission shall ensure that all homes that are the subject of Second Mortgages included in the Loan Pool meet requirements of federal laws and regulations for the HOME Program, including 24 CFR Sections 92.217 and 92.254, and that all Second Mortgages purchased for the Loan Pool involve loans made to Eligible Homebuyers and are consistent with all such laws and regulations.
- 14.1.3 Review of Documentation Prior to Loan Origination. The Commission shall require, as a condition to purchase a Second Mortgage for the Loan Pool, that the Mortgage Lender provides to the Commission prior to the closing of the Second Mortgage all information necessary for the Commission to verify the eligibility of the Second Mortgage for funding under this Agreement. The Commission shall review such information and advise the originating Mortgage Lender prior to the date set for such closing of any deficiencies in such information.
- 14.1.4 Program Income. The County and the Commission acknowledge that the terms hereof, in particular the provisions for periodic remittance of the County Interest, are intended to conform to HUD requirements by generally requiring all “program income” as defined under HOME regulations and all amounts that constitute recapture of HOME Funds under such regulations to be remitted to the County for deposit in the County’s HOME account. HOME regulations, 24 CFR Section 92.2, provide in part that payments of principal and interest on loans made using HOME Funds are program income, and that when program income is generated by housing that is only partially assisted with HOME Funds or matching funds, the income shall be prorated to reflect the percentage of HOME Funds used. The parties acknowledge that the Commission’s funds are not intended to be matching

funds under HOME regulations. If HUD determines that the terms of this agreement are not sufficient to comply with HOME regulations with respect to program income or recaptured funds, the Cities, the County and the Commission agree to execute and implement an amendment hereto satisfactory to HUD, including any retroactive adjustments that HUD shall deem necessary to conform to such regulations.

- 14.1.5 Relocation and Acquisition. For Second Mortgages originated with 2003 HOME Funds, the Commission represents, warrants and agrees that it has taken and shall take all reasonable steps to minimize the displacement of persons (families, individuals, businesses, nonprofit organizations, and farms) in connection with the Program. The Commission represents and warrants that, in connection with each Second Mortgage, the Commission shall ensure that prior to the execution of a purchase and sale agreement, the borrower clearly advises the owner in writing that it lacks the power of eminent domain and therefore is unable to acquire the property in the event negotiations fail to reach an amicable agreement, and informs the owner in writing of what the borrower believes to be the fair market value of the property. If any transaction financed by a Second Mortgage involves the temporary and/or permanent displacement of persons, the Commission represents, warrants and agrees that the Commission shall provide, at a minimum, all relocation assistance required by 24 CFR Section 42; the federal Uniform Relocation Act and regulations thereunder, 49 CFR Part 24; 24 CFR Section 92.353 and any other applicable federal laws or regulations, and shall maintain complete and accurate records demonstrating such compliance. The Commission agrees that any determination by County of the amount of relocation assistance due to any person shall be final and binding upon the Commission, unless a different determination is made by HUD at the request of such person, in which case the HUD determination shall be final and binding on the Commission. The Commission represents, warrants and agrees that no Second Mortgage will involve the purchase of any property if, in connection with such purchase and the financing thereof with HOME Funds, any tenant or former tenant would be considered a "displaced person" within the meaning of applicable federal regulations or guidelines. If the County or HUD determines that with respect to any Second Mortgage any person reasonably may be considered a displaced person, then the County may, at its option, provide relocation assistance directly to such person, and such amount shall be immediately due and payable by the Commission to County, at County's demand, in addition to all other amounts to which the County is entitled hereunder. The Commission shall maintain and provide to County on request data indicating the race and ethnicity of households (and gender of single heads of households) displaced in connection with the Program and the address and census tract of the housing to which each displaced household relocated. Such information shall be used only as a basis for further investigation as to compliance with nondiscrimination requirements.

- 14.1.6 Lead-Based Paint. The Commission shall comply with all applicable requirements of federal, state, and local laws and regulations regarding lead-based paint, including without limitation 24 CFR Part 35, and 24 CFR Sections 92.355 and 982.401(j), to the extent applicable. The Commission shall be responsible for ensuring that all required testing and abatement activities are performed, and all disclosures are made and acknowledged, as required by such regulations or other applicable laws. The Commission shall require, in connection with any Second Mortgage to be acquired for the Loan Pool, if any part of the home being purchased was constructed prior to 1978, that any defective lead-based paint surfaces are abated in full compliance with all applicable laws, regulations, HUD guidelines and prudent practices.
- 14.1.7 Lobbying. The Commission hereby certifies and agrees as follows, in accordance with 31 U.S.C. Section 1352, to the best of its knowledge and belief:
- 14.1.7.1 No Federal appropriated funds have been paid or will be paid, by or on behalf of the Commission, to any person for influencing or attempting to influence an officer or employee of any agency, a member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement;
- 14.1.7.2 If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions; and
- 14.1.7.3 It will require that the language of this subsection 14.1.7 be included in the award documents for subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.
- 14.1.7.4 This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U. S. Code. Any person who fails to file the

required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

14.2 Conflict of Interest

- 14.2.1 No officer, agent, employee, consultant or elected or appointed official of the Cities, their designee ARCH or the County, or of any subrecipient (as defined in 24 CFR Part 92) receiving HOME Funds who exercises or has exercised any functions or responsibilities with respect to activities assisted by HOME Funds or who is in a position to participate in a decision-making process or gain inside information with respect to these activities, shall obtain any financial interest or benefit, for himself or herself or those with whom he or she has family or business ties, in the activity funded under this Agreement or in any contract or subcontract or agreement with respect thereto or the proceeds thereof; nor shall (s)he for one year after completion of his or her tenure with the Cities, their designee ARCH, the County or such subrecipient obtain any such financial interest or benefit. The Commission shall incorporate in all such contracts or subcontracts a provision prohibiting any such interest. In addition, no owner, developer or sponsor of a project assisted with HOME Funds (or officer, employee, agent, elected or appointed official or consultant of the owner, developer or sponsor) may occupy a HOME-assisted housing unit. No person providing consultant services in an employer-employee type relationship shall receive more than a reasonable rate of compensation for personal services paid with HOME Funds, and in no event shall such compensation exceed the limits in effect under any applicable law. All such consultant services shall be evidenced by written agreements that detail the responsibilities, standards and compensation {24 C.F.R. Sections 92.356, 92.358}
- 14.2.2 In the procurement of supplies, equipment, construction or rehabilitation and services the Commission shall ensure compliance with the provisions of 24 CFR Section 84.42. The Commission shall incorporate in all contracts or subcontracts using HOME Funds a provision prohibiting any conflict of interest prohibited by this subsection.
- 14.2.3 No HOME Funds shall be lent to any officer, director, or person serving in a similar capacity for the County or Commission, or to any member of the immediate family of any such person, nor shall any loan of HOME Funds be made for the purchase of any property, or of a loan secured by any property, in which any such person or family member has (or had, prior the purchase of such property with the proceeds of such loan) an interest, or in any transaction in which any such person acts as a real estate broker or agent, mortgage broker, or in any similar capacity.

- 14.3 Reversion of HOME Assets. Upon termination or expiration of this Agreement, the Commission must transfer to the County any HOME Funds in the County's Loan Receipts Account.
 - 14.4 Agreements with Others. If the Commission provides HOME Funds to for-profit owners or developers, nonprofit owners or developers, subrecipients, homeowners, homebuyers, tenants receiving tenant-based rental assistance, or contractors, the Commission must have a written agreement that meets the requirements of 24 CFR Section 92.504.
 - 14.5 Flood Insurance Protection. If any property for which a Second Mortgage is purchased is in a special flood hazard area as identified by the Federal Emergency Management Agency, then the Commission shall ensure that flood insurance is and shall remain in effect, in accordance with Section 102(a) of the Flood Disaster Protection Act of 1973 (42 U.S.C. Section 4001, et seq.).
 - 14.6 Targeted Outreach. The Cities, through their agent ARCH, are responsible for conducting targeted outreach of the Program to residents and tenants of public and manufactured housing and to other families assisted by public housing agencies per 24 CFR section 91.220.
15. Commission's Right to Rely; Program Manuals
- 15.1 House Key Plus ARCH (East King County) Program Manual. For purposes of its duty to comply with HOME regulations related to Second Mortgages using HOME Funds and to comply with any City's program requirements related to Second Mortgages using Cities' Funds, the Commission shall have the right to rely on the Program Manual (updated as provided below) and this Agreement as incorporating or describing both the HUD conditions and requirements made applicable by reason of the use of HOME Funds and any City program requirements made applicable through use of Cities' Funds, and to rely:
 - 15.1.1 on income limits and property purchase price limits set forth in the Program Manual, until the Commission receives notice that an amendment to the Program Manual revising such limits is required; and,
 - 15.1.2 on information set forth in the forms contained in the Program Manual, as now or hereafter revised, when properly and timely completed, signed and delivered. Unless the Commission has knowledge or notice contrary to the information stated therein, such information shall satisfy the requirements for documentation of compliance with the particular regulations or requirements for which the forms are designed, provided that the forms used are all of the forms applicable to the facts of the particular Second Mortgage pursuant to the terms of the Program Manual.

- 15.2 Revision Following Notice from the Cities or their designee ARCH and County. The Commission shall revise the Program Manual (including any forms attached thereto) and provide such revisions to Mortgage Lenders promptly following written notice from the Cities or their designee ARCH, or the County of any required changes.
- 15.3 General House Key Program Manual. The parties acknowledge that some requirements of the HOME Program are intended to be satisfied by compliance with the terms of the more general House Key Manual of the Commission as now in effect, as incorporated by reference in the Program Manual (to the extent not inconsistent therewith), and are therefore not described specifically herein or in the House Key Plus ARCH (East King County) Program Manual. The Cities and County shall review and approve the Program Manual and forms contained therein prior to use by the Commission.
16. Second Mortgage Servicing and Administration
- 16.1 Direct Servicing or Servicing Agreement. So long as this Agreement remains in effect and for additional periods specified in Section 21, the Commission shall either: (a) maintain in effect a servicing agreement with a Servicer, consistent with the terms of this Agreement and without cost to the Cities, their designee ARCH or the County, for the servicing and administration of all Second Mortgages in the Loan Pool; or (b) directly administer and service such Second Mortgages consistent with the terms hereof. If there are any assets in the Loan Pool other than Second Mortgages, the Commission shall have the responsibility to service and administer such assets. In any agreement with a Servicer, the Commission shall ensure that the obligations and authority of the Servicer are consistent with those of the Commission under this Section 16, and that the Servicer performs and observes such provisions. The Commission may delegate any of its authority under this Section 16 to the Servicer, and may satisfy any obligation under this Section 16 by causing the Servicer to perform, unless otherwise expressly stated herein or in the Program Manual. The Commission shall provide any proposed contract with a Servicer and any proposed amendment thereto to the Cities, their designee ARCH, and the County at least ten (10) days prior to execution. The Commission shall not enter into a contract or contract amendment with a Servicer if the Cities, their designee ARCH, or County reasonably objects to the qualifications or record of the Servicer, or to any terms of the proposed contract or amendment.
- 16.2. Fees or Compensation
- 16.2.1 The Commission may charge Eligible Homebuyers a one-time Program application fee not to exceed \$40.00. The Commission shall not be entitled to any fee for acting as Servicer. All costs and expenses incurred by the Commission in performing its obligations pursuant to this Agreement shall be at the Commission's sole cost and expense, except and to the extent otherwise provided in this Agreement. No costs or fees of a Servicer shall be deducted from any payments on Second Mortgages, except late charges if so provided in the servicing agreement with the Servicer.

- 16.2.2 For Second Mortgages originated with HOME Funds, the Commission shall ensure that Mortgage Lenders do not charge Eligible Homebuyers a fee for originating, monitoring or servicing the Second Mortgages.
- 16.3 General Duty to Service; Acceleration on Certain Events. The Commission shall be generally responsible for loan administration and servicing for the life of each Second Mortgage. The Commission shall administer and service the Second Mortgages in accordance with all applicable laws and regulations and in a manner consistent with prudent loan servicing practices for similar loans. Without limiting the foregoing, (a) the Commission shall proceed diligently to collect all payments due under the terms of each Second Mortgage as they become due, and shall perform such other customary duties, furnish such other reports and information and execute such other documents in connection with its duties under this Agreement as the Cities and County may from time to time reasonably require; and (b) to the full extent permitted by applicable law, upon any event described in the Loan Documents for any Second Mortgage upon which the principal balance may be declared due and payable when the property or an interest therein is transferred or the property is no longer the principal residence of the family of the Eligible Homebuyer to whom the Second Mortgage was made, the Commission shall promptly declare the principal balance due and payable in full and shall diligently seek to collect all amounts owing on the Second Mortgage.
- 16.4 Records and Files. The Commission shall maintain, or cause the Servicer to maintain and shall deliver to the Cities, their designee ARCH, and the County within ten business days of a request all records necessary to satisfy the requirements of 24 CFR Section 92.254 and 24 CFR Section 92.508 with respect to the Second Mortgages and the activities conducted under this Agreement. Without limiting the foregoing, the Commission shall maintain or cause the Servicer to maintain a separate file for each Second Mortgage. The file must contain the property address and census tract number; number of bedrooms in unit; owner name, address, and phone number; form of ownership; type of project; number of units if not single family; and household characteristics including income, family size, racial and ethnic group of household members and whether there is a single head of household (including sex thereof), disability if information is volunteered by an applicant; and a listing of all costs and sources of funds related to the purchase. Each file must contain all of the following except as specifically noted below:
- 16.4.1 Loan Application (which shall include information showing first-time homebuyer status);
- 16.4.2 Income and family size certification and supporting documents;
- 16.4.3 Copy of purchase agreement;
- 16.4.4 Copy of Promissory Note (original shall be kept in a fireproof safe);
- 16.4.5 Recorded Deed of Trust (or other appropriate security instruments in the case of any manufactured home that is not real property);

- 16.4.6 Accurate Truth-in-Lending Statements with acknowledgements of receipt by all borrowers;
- 16.4.7 Appraisal of home purchased and evidence of borrower's receipt of a copy thereof;
- 16.4.8 Documents showing compliance with the property value requirements for affordable housing, including the initial purchase price and appraised value after rehabilitation, if applicable;
- 16.4.9 Credit report
- 16.4.10 Closing statement for purchase of home (HUD-1 form);
- 16.4.11 Title insurance policy in favor of the Commission or Mortgage Lender in the principal amount of the Second Mortgage (Lender's Extended Coverage, showing no liens for money owing, except governmental charges and the first lien mortgage, prior to the Deed of Trust except as permitted under this Agreement);
- 16.4.12 Lead-based paint report for the home as required by HUD (if any portion was built before 1978);
- 16.4.13 Disclosure statement signed by the home buyer concerning lead-based paint poisoning if the building in which the purchased unit is located was constructed wholly or in part prior to 1978;
- 16.4.14 Records demonstrating that the purchased unit meets applicable housing code and housing quality standards;
- 16.4.15 Documents showing that the combination of federal assistance and any other subsidy is not any more than is necessary to provide affordable housing;
- 16.4.16 If Second Mortgage utilized HOME funds, documents demonstrating compliance with federal displacement, relocation, and acquisition requirements; and
- 16.4.17 Verification of continued occupancy of the property by the Eligible Homebuyer in accordance with the Commission's agreement with the Servicer.
- 16.5 Transfer of Second Mortgages. The Commission shall not, without the express written consent of the Cities or their designee ARCH, and the County, sell, assign, or encumber any Second Mortgage or any interest therein.
- 16.6 Notices of Foreclosures or Legal Actions and Right to Cure. If the Commission provides any statutory notice to commence foreclosure proceedings or any notice of

trustee's sale, or if the Commission commences any legal action against a borrower or for foreclosure, or if the Commission receives any notice of such action by any other holder of a lien on the property subject to any Second Mortgage in the Loan Pool, the Commission shall provide a copy of such notice or complaint in case of any legal action, to the Cities, their designee ARCH, and the County at the same time as it is first provided or sent to the borrower or property owner, recorded, or filed with a court, whichever is earliest. If the Commission receives notice from any other holder of a lien on any home for which a Second Mortgage loan is made, of any intent to foreclose, trustee's sale, or legal action to foreclose such lien, the Commission shall promptly provide a copy of such notice to the Cities, their designee ARCH, and the County. If so requested by Cities, their designee ARCH, and the County, the Commission shall provide copies to the Cities, or their designee ARCH, and the County of further documents in any proceeding of the type referred to in this subsection, promptly upon the Commission's receipt or delivery thereof, as applicable. The Commission may, but is not required, to make additional payment(s) to protect the security of the Second Mortgage after default by the borrower, including but not limited to payments for unpaid real estate taxes, insurance premiums or liens. If the Commission opts not to make such additional payments, then the Commission shall give written notice to the Cities or their designee ARCH and County of the condition of default and the amount required to cure, and the Cities, their designee ARCH, or County may, at its respective sole option, make such payments, but are not required to do so. Additional payments made by the Commission, Cities or their designee ARCH, or County pursuant to this subsection shall increase the paying entity's Proportionate Share of Loan Contributions used to determine the respective loan receipt interests described in Section 7.

16.7 Monitoring, Enforcement, Modifications and Forbearance. The Commission shall monitor compliance with, and enforce, as permitted by applicable law and in accordance with reasonable policies of loan administration generally prevailing in the single family mortgage industry, the terms of the Second Mortgages in the Loan Pool. Except as expressly authorized herein or in the Program Manual, the Commission shall not, without the written consent of the Cities or their designee ARCH, and the County:

16.7.1 agree to the modification, waiver, or release of any provisions of a Second Mortgage;

16.7.2 take or omit to take any action that would release any obligor or any other person from any liability for the payment of money or the performance of any material obligation under any Loan Document, other than waiver of late charges and/or default interest;

16.7.3 release or subordinate any security securing any of the obligations of any obligor under a Second Mortgage, except for release upon full payment, or payment of an amount determined by the Commission or Servicer in good

faith to be at least as much as could reasonably be collected from enforcing its rights in such security for the Second Mortgage,

- 16.7.4 finally settle, compromise or adjust any insurance claim that is more than the unpaid balance of the Second Mortgage;
- 16.7.5 bid for, purchase or acquire any property subject to any Second Mortgage, whether by conveyance in lieu of foreclosure, by purchase at foreclosure or creditor's sale, or otherwise, or
- 16.7.6 consent to or approve any sale, transfer or conveyance of all or any part of the real property subject to a Second Mortgage, or any assumption of any Second Mortgage.

The Commission shall have the right, without notice to or consent from the Cities or their designee ARCH and the County, to grant to any Eligible Homebuyer, in the exercise of the Commission's reasonable judgment, any extension of time or forbearance for the performance of any obligation or condition under a Second Mortgage, and to allow any reinstatement or plan of cure, to the extent consistent with the Program Manual; provided that, without the written consent of the Cities or their designee ARCH and the County, the Commission shall not waive, release, or fail to enforce within a reasonable time provisions for acceleration of a Second Mortgage if the home ceases to be the principal residence of the Eligible Homebuyer's family. The Commission may waive late charges or default interest, or both, on condition that some or all past due installments be paid.

- 16.8 Property Insurance. The Commission shall ensure that the property subject to each Second Mortgage is at all times insured by a property insurance policy providing coverage in an amount not less than required by the Loan Documents, in which the Commission is named a loss payee pursuant to a standard mortgage clause or its equivalent. If the borrower fails to maintain such insurance, then unless the first lien lender shall promptly "force place" replacement property insurance, the Commission shall, or shall cause the Servicer to, "force place" replacement property insurance at the borrower's expense.
- 16.9 Compliance with Statutes and Regulations. The Commission shall obey all laws of the United States, the State of Washington and the ordinances, regulations, and codes of the applicable City and County.

17. Nondiscrimination

- 17.1 Federal Requirements. No person shall on the grounds of race, color, national origin, religion or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with HOME Funds. The Commission shall comply fully with the requirements of the Fair Housing Act (42 U.S.C. Sections 3601-20) and implementing regulations at 24 CFR Part 100; Executive Order 11063, as amended by Executive Order 12259 (3 CFR, 1958-1963 Comp., p. 652 and 3 CFR, 1980 Comp., p. 307) (Equal Opportunity in

Housing) and implementing regulations at 24 CFR Part 107. The Commission shall comply fully with all requirements of Title VI of the Civil Rights Act of 1964, 42 U.S.C. 2000d et seq., which provides that no person in the United States shall on the ground of race, color or national origin, be excluded from participation in, denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance; and with HUD regulations implementing such requirements, 24 C.F.R. Part 1. {24 C.F.R. Section 92.350(a)}

17.1.1 The Commission shall ensure compliance with Executive Order 11246, entitled "Equal Opportunity" (3 CFR, 1958-1963 Comp., p.339), as amended, and the regulations issued pursuant thereto, 41 C.F.R. Part 60, which provide that no person shall be discriminated against because of race, color, religion, sex or national origin in all phases of employment during the performance of federal contracts and subcontracts, and the Commission shall take affirmative action to ensure fair treatment in employment, upgrading, demotion or transfer, recruitment or recruitment advertising, layoff or termination, rates of pay, or other forms of compensation and selection for training or apprenticeship.

17.1.2 The Commission shall comply fully with all of the requirements and prohibitions of the Age Discrimination Act of 1975 (42 U.S.C. Sections 6101-07) and implementing regulations at 24 C.F.R. Part 146 and those of Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. Section 794), and implementing regulations at 24 C.F.R. Part 8.

17.1.3 The Commission shall further comply fully with Section 109 of the HCD Act of 1974, as amended (42 USC 5301); and with The Americans with Disabilities Act (42 USC 1213; 47 USC 155, 201, 218 and 225).

17.2 State and Local Requirements. The Commission shall comply, and shall require all Mortgage Lenders, contractors and subcontractors to comply, with all applicable equal employment opportunity and nondiscrimination laws of the State of Washington, the Cities, and King County, including but not limited to RCW Chapter 49.60 and King County Code Chapter 12.20.

18. Indemnity

18.1 By the Commission. The Commission agrees to indemnify and hold harmless the Cities, their designee ARCH, and County, and their officers, employees and assigns, against any and all claims, costs, liability and damage arising from the negligent or otherwise wrongful acts, or from omissions to perform acts required of the Commission by this Agreement, by the Commission and its contractors and subcontractors, and their respective officers or employees, in connection with the Program or with the Second Mortgages. The Commission waives, solely with respect to the Cities, their designee ARCH, and County, its immunity under RCW Title 51, Industrial Insurance. The Commission and the Cities, their designee ARCH, and County acknowledge that this waiver has been specifically negotiated and that the

- Cities, their designee ARCH, and County would not enter into this Agreement absent this waiver. This indemnity provision shall survive any termination or expiration of this Agreement.
- 18.2 By Cities, Their Designee ARCH, and County. The Cities, their designee ARCH, and County agree to indemnify and hold harmless the Commission and its officers, employees and assigns, against any and all claims, costs, liability and damage arising from their, respective negligent or otherwise wrongful acts, or omissions to perform acts required by this Agreement. The Cities, their designee ARCH and County waives, solely with respect to the Commission, its immunity under RCW Title 51, Industrial Insurance. Commission and Cities, their designee ARCH, and County acknowledge that this waiver has been specifically negotiated and that the Commission would not enter into this Agreement absent this waiver. This indemnity provision shall survive any termination or expiration of this Agreement.

19. Remedies

If any party fails to comply with any of its obligations under this Agreement, then such party shall be in default, and if such default is not cured within thirty (30) days after written notice to such party, then the other parties shall have the right to enforce the terms of this Agreement by any remedies available at law or in equity. In addition to any other rights and remedies, any party may suspend or terminate this Agreement upon providing thirty (30) days written notice to the other parties if any other party materially fails to comply with any term of the Agreement.

20. The Commission's Purchase Obligation for Ineligible Loans or Failure to Enforce Recapture

- 20.1 If either (a) the County, for loans that include County HOME funds, or HUD determines that a Second Mortgage was not eligible for use of HOME Funds; or (b) the Commission defaults on any of its obligations with respect to the administration or servicing of a Second Mortgage and as a result of such default the principal balance of a Second Mortgage cannot be declared due after, or cannot be collected within one year after; except as otherwise provided below, upon thirty (30) days' notice from the County or Cities, the Commission shall purchase from the County or Cities the County's or Cities' entire participation interest in such Second Mortgage. The participation interest shall be based upon the County's Share or Cities' Share plus their respective share of accrued interest on such Second Mortgage in proportion to their Proportionate Share. On the date such amount becomes payable, such Second Mortgage shall be removed from the Loan Pool.
- 20.2 Ineligible Loans Where the Commission Not at Fault. Notwithstanding the foregoing portion of this Section, if, within 15 days after notice to the Commission of a determination of ineligibility, the Commission gives written notice to the County and Cities that the Second Mortgage was determined to be eligible by the Commission based upon false information provided by the borrower or the originating Mortgage Lender and if the Commission was not negligent in purchasing the Second Mortgage for the Program, the Commission shall not be obligated to

purchase the Cities' or County's interest from its own funds so long as the Commission agrees to diligently pursue remedies against the originating Mortgage Lender and/or the borrower. If in such case, the originating Mortgage Lender repurchases the Second Mortgage, then the Commission shall use the proceeds to purchase the Cities' and County's interest as otherwise set forth above in Section.

21. Term of Agreement; Survival

21.1 Unless terminated earlier upon mutual agreement, upon material noncompliance pursuant to Section 19, or upon 180 days advance notice pursuant to this Section 21, this Agreement shall remain in effect until ninety days after all of the following have occurred:

21.1.1 all Second Mortgages have been paid in full or otherwise satisfied;

21.1.2 all money to which the holder of any Second Mortgage is or may become entitled has been collected by the Commission;

21.1.3 any property, other than money that the Commission has received or may be entitled, in respect of any obligations or assets in the Loan Pool or the security therefore, has been sold or otherwise disposed of, and the proceeds thereof have been received by the Commission;

21.1.4 the Cities have been paid the Cities Share for all periods in which any Loan Receipts have been collected;

21.1.5 the County has been paid the County's Share for all periods in which any Loan Receipts have been collected; and

21.1.6 the Commission has delivered to the Cities and County a final accounting thereof. Any party may terminate this Agreement with or without cause upon providing 180 days advance written notice to the other parties.

21.2 Upon termination of the Agreement, the Commission shall return any unexpended funds to the parties in accordance with their respective interests therein and shall either direct the Servicer to authorize the Cities and County to service outstanding Second Mortgages or otherwise address Cities' and County's respective interests in outstanding Second Mortgages.

21.3 Notwithstanding expiration or other termination of this Agreement, all provisions hereof required by HOME regulations shall survive and remain in effect to the extent required by such regulations; all provisions requiring the maintenance of and access to records shall remain in effect for seven years after expiration or termination; and the Commission shall maintain, cause its Servicer to maintain, or reach agreement with the Cities and County to otherwise maintain accounts needed to allow for continued receipt and distribution of the Cities', County's and Commission's respective Proportionate Shares of Loan Receipts.

22. No Partnership or Joint Venture

- 22.1 Nothing herein is intended to create any partnership or joint venture, or to authorize either party to bind the other to any obligation in favor of any third party.
- 22.2 No officer, employee, agent or representative of the Commission shall represent himself or herself to be an officer or employee of the Cities or County, nor as authorized to bind the Cities or County, nor shall any such person make any claim, demand or application to or for any right or privilege applicable to any officer or employee of the Cities or County, including but not limited to Worker's Compensation coverage, Unemployment Insurance Benefits, Social Security Benefits or retirement membership or credit. The Commission shall indemnify and hold Cities and County harmless from any such claim or demand.
- 22.3 No officer, employee, agent or representative of Cities and County shall represent himself or herself to be an officer or employee of the Commission, nor as authorized to bind the Commission, nor shall any such person make any claim, demand or application to or for any right or privilege applicable to any officer or employee of the Commission, including but not limited to Worker's Compensation coverage, Unemployment Insurance Benefits, Social Security Benefits or retirement membership or credit. The Cities and County shall indemnify and hold the Commission harmless from any such claim or demand.

23. No Third Party Beneficiaries

The rights and privileges granted or created by this Agreement are for the sole and exclusive benefit of the Cities, the County and the Commission. This Agreement is not intended, nor does it create or confer any benefit upon any third party, except to the extent that the United States may have rights or remedies related to the obligations of the Commission to comply with provisions, laws and regulations applicable because of the use of HOME Funds.

24. Entire Agreement, Amendments; No Waiver

This Agreement, including the attachments hereto and documents incorporated by reference as provided herein, constitutes the entire agreement of the parties with respect to the subject matter hereof. The parties hereto may amend or modify the terms of this Agreement only by a written document signed by all parties affected by such amendment. No course of dealing shall be construed to alter any obligations, rights or remedies hereunder. No waiver of any rights or remedies under this Agreement shall be valid unless in writing signed by an authorized officer of the party granting such waiver, and any such waiver that may be granted as to any particular breach hereof shall constitute a waiver as to any other breach. No consent to, approval of, or failure to object to, any agreement or document with terms or conditions contrary to the terms of this Agreement shall constitute, or be construed as, a modification or waiver of any terms of this Agreement. No delay in taking any action or giving any notice shall in any way impair any rights or remedies of the parties.

25. Notices; Designated Representatives.

The Cities, their designee ARCH, County and the Commission designate the following as their primary representatives and contacts with respect to the administration of this Agreement and the Program.

These designees may be substituted for by written notice to the addresses below. Any notice under this Agreement shall be given to a party at the respective address or facsimile number below, or at such other address or number as shall have been provided by notice in accordance with this Section.

Notice shall be effective two working days after mailing, postage prepaid, or when received by facsimile during normal working hours.

- | | | |
|------|---------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 25.1 | Bellevue | Department of Planning and Community Development
Attn: Housing Planner
City of Bellevue
P.O. Box 90012
Bellevue, WA 98009-9012 |
| 25.2 | Redmond | Planning Department Housing Planner
City of Redmond; MS CHPL
PO Box 97010
Redmond, WA 98073-9710 |
| 25.3 | Kirkland | Department of Planning and Community Development
Attn: Housing Planner
City of Kirkland
123 Fifth Avenue
Kirkland, WA 98033-6189 |
| 25.4 | Mercer Island | City Attorney's Office
Attn: Assistant City Attorney
City of Mercer Island
9611 SE 36 th Street
Mercer Island, WA 98040 |
| 25.5 | Kenmore | Department of Community Development
Attn: Planning Director
PO Box 82607
Kenmore, WA 98028 |
| 25.6 | Newcastle | Department of Planning and Community Development
Attn: Planning Director
City of Newcastle
10320 SE 72 nd Place
Newcastle, WA 98059-3030 |
| 25.7 | Woodinville | Department of Planning and Community Development |

.		Attn: Planning Director City of Woodinville 17201 – 133 rd Ave. NE Woodinville, WA 98072
25.8	Clyde Hill	City Administrator Attn: Mitch Wasserman City of Clyde Hill 9605 NE 24 th Street Clyde Hill, WA 98007
25.9	Medina	City Manager Attn: Doug Schulze City of Medina PO Box 144 Medina, WA 98039-0144
25.10	Issaquah	Planning Department—Housing Planner Attn: Christen Leeson City of Issaquah P. O. Box 1307 Issaquah, WA 98027
25.11	ARCH	Attn: Scott Bauer 16225 NE 87 th St., Suite A-3 Redmond, WA 98052 Telephone: 425-861-3677 Fax: 206-587-5113 e-mail: sbauer@bellevuewa.us
25.12	Commission Representative	Dee Taylor, Director Homeownership Division 1000 Second Ave, Suite 2700 Seattle, WA 98104-1046 Telephone: 206-464-7139 Fax: 206-587-5113 e-mail: dtaylor@wshfc.org
25.13	County Representatives	Jackie MacLean, Director Department of Community and Human Services 821 Second Ave., Suite 600 Seattle, WA 98104-1598
.		Attn: Eileen Bleeker, Housing Finance Program Planner Housing and Community Development Program 821 Second Ave, Suite 500

Seattle, WA 98104-1598
Telephone: 206-296-8642
Fax: 206-296-0229
e-mail: Eileen.bleeker@metrokc.gov

26. Construction; Governing Law; Venue

This Agreement is the product of negotiation and shall not be construed against any party as the drafter of any provision hereof. This Agreement shall be construed, interpreted, and enforced in accordance with the laws of the State of Washington and, to the extent applicable, federal law. If any provision hereof or of any attachment hereto shall be determined to be invalid or unenforceable, the remainder of this Agreement and any such attachment shall not be affected by such determination. In the event of any irreconcilable conflict between or among the following, this Agreement shall be interpreted to give priority in the following order:

- 26.1 Applicable federal laws and regulations;
- 26.2 Applicable State laws and regulations;
- 26.3 Applicable City ordinances;
- 26.4 This Agreement, as it may be amended in writing;
- 26.5 The Program Manual, as it may be amended with written approval of the Cities or their designee ARCH, County and the Commission;
- 26.6 Other documents that receive the written consent or written approval of the parties pursuant to this Agreement.
- 26.7 Venue for any action arising out of this Agreement shall be exclusively in King County, Washington.

27. Time is of the Essence

Time is of the essence of all of the terms and conditions of the Agreement. Notwithstanding the foregoing or any other provision hereof, no time limit for any response, approval or other action required or permitted after notice from one party to the other under the Agreement shall be deemed of the essence unless the first page of any required prior notice states the relevant time period and specifies that such time is of the essence.

28. Insurance Requirements

The County and the Cities acknowledge, agree and understand that the Commission (The State of Washington) is self-insured for all of its liability exposures. The Commission agrees, at its own expense, to maintain through its self-insurance program coverage for its liability exposures for the duration of this Agreement. The Commission agrees to provide the County and the Cities with at least 30 days prior written notice of any change in the Commission's

self-insured status and to provide the County and the Cities with the letter of self-insurance as adequate proof of insurance.

29. Use of Recycled Products

The Commission will endeavor whenever practical to use recycled paper for the production of all printed and photocopied documents that are related to the fulfillment of this Contract with the County and shall ensure that, whenever practical, the cover page of each document printed on recycled paper bears an imprint identifying it as recycled paper. If the cost of recycled paper is more than fifteen percent (15%) higher than the cost of non-recycled paper, the Commission may notify the County, which may waive the recycled paper requirement. Whenever practical, the Commission shall use both sides of paper sheets for copying and printing.

FIRST AMENDED AND RESTATED AGREEMENT
REGARDING DOWNPAYMENT ASSISTANCE
HOUSE KEY PLUS ARCH (EAST KING COUNTY) PROGRAM

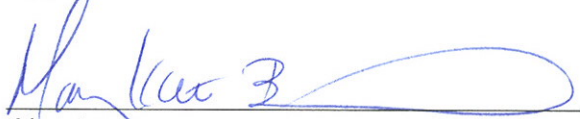
Executed this 23 day of April, 2007.

THE CITY OF BELLEVUE, WASHINGTON



City Manager - *Deputy*

Approved as to form:

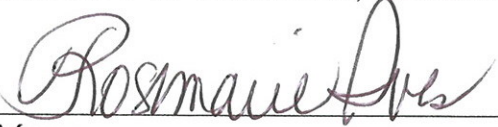


Dep City Attorney

FIRST AMENDED AND RESTATED AGREEMENT
REGARDING DOWNPAYMENT ASSISTANCE
HOUSE KEY PLUS ARCH (EAST KING COUNTY) PROGRAM

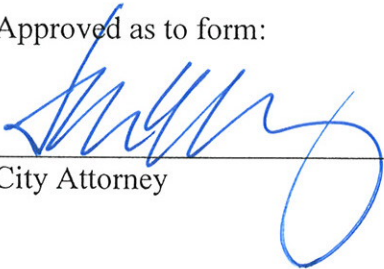
Executed this 1 day of May, 2007.

THE CITY OF REDMOND, WASHINGTON



Mayor

Approved as to form:



City Attorney

FIRST AMENDED AND RESTATED AGREEMENT
REGARDING DOWNPAYMENT ASSISTANCE
HOUSE KEY PLUS ARCH (EAST KING COUNTY) PROGRAM

Executed this 19th day of April, 2007.

THE CITY OF KIRKLAND, WASHINGTON

Marilynne Seard
City Manager

Approved as to form:

[Signature]
Assistant City Attorney

FIRST AMENDED AND RESTATED AGREEMENT
REGARDING DOWNPAYMENT ASSISTANCE
HOUSE KEY PLUS ARCH (EAST KING COUNTY) PROGRAM

Executed this 6th day of April, 2007.

THE CITY OF MERCER ISLAND, WASHINGTON

A handwritten signature in blue ink, appearing to read "Richard M. Conrad", written over a horizontal line.

City Manager

Approved as to form:

A handwritten signature in black ink, appearing to read "Katie H. Knight for", written over a horizontal line.

City Attorney

| FIRST AMENDED AND RESTATED AGREEMENT
REGARDING DOWNPAYMENT ASSISTANCE
HOUSE KEY PLUS ARCH (EAST KING COUNTY) PROGRAM

Executed this 23rd day of June, 2007.

THE CITY OF KENMORE, WASHINGTON



City Manager

Approved as to form:




City Attorney

FIRST AMENDED AND RESTATED AGREEMENT
REGARDING DOWNPAYMENT ASSISTANCE
HOUSE KEY PLUS ARCH (EAST KING COUNTY) PROGRAM

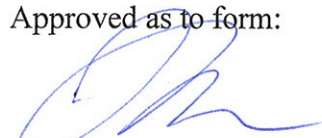
Executed this 16th day of April, 2007.

THE CITY OF NEWCASTLE, WASHINGTON



City Manager

Approved as to form:



City Attorney

FIRST AMENDED AND RESTATED AGREEMENT
REGARDING DOWNPAYMENT ASSISTANCE
HOUSE KEY PLUS ARCH (EAST KING COUNTY) PROGRAM

Executed this 1 day of May, 2007.

THE CITY OF WOODINVILLE, WASHINGTON



City Manager

Approved as to form:




City Attorney

| FIRST AMENDED AND RESTATED AGREEMENT
REGARDING DOWNPAYMENT ASSISTANCE
HOUSE KEY PLUS ARCH (EAST KING COUNTY) PROGRAM

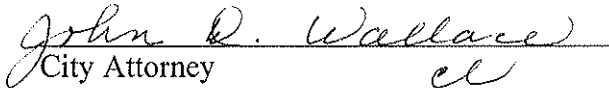
Executed this 6 day of April, 2007.

THE CITY OF CLYDE HILL, WASHINGTON



Mayor

Approved as to form:



City Attorney *cl*

FIRST AMENDED AND RESTATED AGREEMENT
REGARDING DOWNPAYMENT ASSISTANCE
HOUSE KEY PLUS ARCH (EAST KING COUNTY) PROGRAM

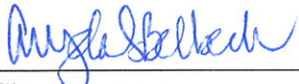
Executed this ____ day of _____, 2007.

THE CITY OF MEDINA, WASHINGTON



City Manager

Approved as to form:




City Attorney

FIRST AMENDED AND RESTATED AGREEMENT
REGARDING DOWNPAYMENT ASSISTANCE
HOUSE KEY PLUS ARCH (EAST KING COUNTY) PROGRAM

Executed this ____ day of _____, 2007.

THE CITY OF ISSAQUAH, WASHINGTON



Mayor

Approved as to form:

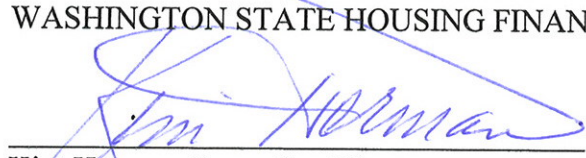


City Attorney

FIRST AMENDED AND RESTATED AGREEMENT
REGARDING DOWNPAYMENT ASSISTANCE
HOUSE KEY PLUS ARCH (EAST KING COUNTY) PROGRAM

Executed this 25 day of May, 2007.

WASHINGTON STATE HOUSING FINANCE COMMISSION



Kim Herman, Executive Director

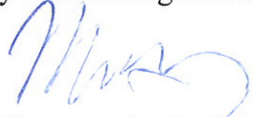
FIRST AMENDED AND RESTATED AGREEMENT
REGARDING DOWNPAYMENT ASSISTANCE
HOUSE KEY PLUS ARCH (EAST KING COUNTY) PROGRAM

Executed this 6 day of June, 2007

KING COUNTY

 FOR
RON SIMS, KING COUNTY EXECUTIVE

Approved as to Form:
NORM MALENG
King County Prosecuting Attorney

By: 
Senior Deputy Prosecuting Attorney
Date: 5-24-07

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW

Exhibit A: Program Manual

Exhibit B: Quarterly Report Form (reference Section 12 a-g)

Exhibit C: ARCH Cities Funding Amount

HOUSE KEY PLUS ARCH (EAST KING COUNTY)

INITIAL CAPITALIZATION ARCH CITIES FUNDING AMOUNT & DATE OF COUNCIL APPROVAL

City	Council Approval	Loan Pool Funding	Education Funding	Funding Source
City of Bellevue	2/2/2004	\$ 65,000	up to \$ 15,000	(General Funds)
City of Kirkland	1/20/2004	\$ 40,000		(General Funds)
City of Mercer Isl.	2/2/2004	\$ 12,500		(General Funds)
City of Redmond	3/16/2004	\$ 50,000		(General Funds)
City of Newcastle	2/17/2004	\$ 7,500		(General Funds)
City of Kenmore	3/1/2004	\$ 12,500		(General Funds)
City of Woodinville	2/2/2004	\$ 7,500		(General Funds)
City of Clyde Hill	1/13/2004	\$ 2,500		(General Funds)
City of Medina	2/9/2004	\$ 2,500		(General Funds)
TOTAL		\$ 200,000	\$ 15,000	

FIRST RECAPITALIZATION ARCH CITIES FUNDING AMOUNT & DATE OF COUNCIL APPROVAL

City	Council Approval	Loan Pool Funding	Education Funding	Funding Source
City of Bellevue	7/17/2006	\$ 75,000	N/A	(General Funds)
City of Kirkland	7/18/2006	\$35,000		(General Funds)
City of Mercer Isl.	7/24/2006	\$10,000		(General Funds)
City of Redmond	9/5/2006	\$35,000		(General Funds)
City of Newcastle	7/11/2006	\$10,000		(General Funds)
City of Kenmore	7/10/2006	\$25,000		(General Funds)
City of Woodinville	8/7/2006	\$5,000		(General Funds)
City of Clyde Hill	7/11/2006	\$0		(General Funds)
City of Medina	7/10/2006	\$0		(General Funds)
City of Issaquah	7/17/2006	\$5,000		(General Funds)
TOTAL		\$ 200,000		