MANAGEMENT OF HUD-INSURED
MULTIFAMILY PROJECTS

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION

REGULATORY AGREEMENT FOR NONPROFIT MORTGAGORS
UNDER SECTION 236 OF THE NATIONAL HOUSING ACT, AS AMENDED

Project No.

Mortgages

Amount of Mortgage Note

Date

Mortgage Recorded:

State County Date

Book Page

This Agreement entered into the day of 19

between

where the address is

their successors, heirs, and assigns (jointly and severally, hereinafter referred to as "Owner") and the undersigned Secretary of Housing and Urban Development and his successors, acting by and through the Federal Housing Commissioner (hereinafter called "Commissioner")

In consideration of the enforcement for assurance by the Commissioner of the above described loans or in consideration of the consent of the Commissioner to the transfer of the mortgaged property, and in order to comply with the requirements of Section 236 of the National Housing Act, as amended, and the Regulations adopted by the Commissioner hereunder, the Owner agree to do the following:

1. Owner, except as limited by paragraph (b) below, shall promptly make all payments due under the note and mortgage provided, however, that the Commissioner shall make payments to the mortgagee on behalf of the Owner in accordance with the interest reduction contract between the mortgagee and the Commissioner.

2. (a) Owner shall establish and maintain a reserve fund for replacements by the allocation in each principal payment a sum equal to $ per month unless a different rate or amount is approved in writing by the Commissioner. Each such fund, whether in the form of a cash deposit or invest in obligations of, or guaranteed by the United States of America shall at all times be under the control of the mortgagee. Sums from such fund, whether for the purpose of effecting replacements of structural elements and mechanical equipment of the property or for any other purpose, may be used only after receiving the consent in writing of the Commissioner. In the event of default in the terms of the mortgage, or in the event in which the loan has been accelerated, the Commissioner may apply or authorize the application of all the balance in such fund as the amount due on the mortgage dette is accelerated.

(b) Where Owner is acquiring a project already subject to an insured mortgage, the reserve fund for replacements shall be re-established and will equal the amount due to be in such fund under existing agreements or charter provisions at the time Owner acquires such project, and payments hereunder shall begin with the first payment due on the mortgage after acquisition.

3. Owner shall establish and maintain, in addition to the reserve fund for replacements, a residual receipts fund by depositing therein, with the mortgagee, the residual receipts, as defined herein, within 60 days after the end of the annual fiscal period within which such receipts are received. Residual receipts shall be under the control of the Commissioner, and shall be disbursed only on the direction of the Commissioner, who shall have the power and authority to direct that the residual receipts, in any part thereof, be set aside for such purposes as he may determine.

4. Real property covered by the mortgage and this Agreement is described in Schedule A attached hereto.

5. The Owners covenant and agree that

(a) With the prior approval of the Commissioner, they will establish for each dwelling unit (1) a basic rental charge determined on the basis of operating the project with payments of principal and interest under a mortgage bearing interest at one percent and (2) a fair market rental charge determined by the basis of operating the project with payments of principal and interest and mortgage insurance premium due under the insured mortgage on the property;

(b) the rental charge for each unit, which will include all utilities except telephone, will be equal to 25% of the tenant's income or the basic rental, whichever is greater, but in no event shall the rental charge exceed one and one-half times the basic rental;

(c) they shall serve tenants in the project to those families whose incomes do not exceed the limits prescribed by the Commissioner, with the exception of those tenants who agree to pay for their rental units;

(d) preference for occupancy shall be given to those families displaced from an urban renewal area, or as a result of governmental action, or as a result of a disaster as determined by the President to be a major disaster, and to those families whose incomes are within the lowest provable limits for obtaining rental units in the project;

(e) as approved by the Commissioner, they will defer to each prospective tenant prior to admission to the project, a certification of income, and an ascertainment of income from all tenants who are not paying for their rental units as required by the Commissioner;
(f) unless, in the opinion of the Commissioner, the proposed change is so minor as not to result in a substantial increase in the cost or operation of the project, in which event written evidence shall be submitted to the Commissioner with the request for such change.

5. In the event of any change, the changes shall be made effective as of the date of the request for such change, unless the Commissioner shall have granted prior written approval to the proposed change.

6. In the event of any change, the changes shall be made effective as of the date of the request for such change, unless the Commissioner shall have granted prior written approval to the proposed change.

7. The Commissioner shall not be bound by any request for change submitted to the Commissioner without prior written approval from the Commissioner.

8. In the event of any change, the changes shall be made effective as of the date of the request for such change, unless the Commissioner shall have granted prior written approval to the proposed change.

9. In the event of any change, the changes shall be made effective as of the date of the request for such change, unless the Commissioner shall have granted prior written approval to the proposed change.

10. In the event of any change, the changes shall be made effective as of the date of the request for such change, unless the Commissioner shall have granted prior written approval to the proposed change.
(c) The mortgaged property, equipment, buildings, plans, office, apparatus, devices, books, contracts, records, documents, and other papers relating thereto shall at all times be maintained in reasonable condition for proper audit and shall be subject to inspection and examination at any reasonable time by the Commissioner or his duly authorized agent. The Owner shall keep copies of all written contracts or other instruments which affect the mortgaged property, all or any of which may be subject to inspection and examination by the Commissioner or his duly authorized agents.

(4) The books and accounts of the operations of the mortgaged property and of the project shall be kept in accordance with the requirements of the Commissioner.

(a) Within sixty days following the end of each fiscal year the Commissioner shall be furnished with a complete annual financial report based upon an examination of the books and records of the mortgaged property in accordance with the requirements of the Commissioner, certified to be by an officer or business owner and, when required by the Commissioner, prepared and certified by a Certified Public Accountant, or other persons acceptable to the Commissioner.

(b) At the request of the Commissioner, his agents, employees, or attorneys, the Owner shall furnish monthly occupancy reports and shall give specific answers to questions upon which information is desired from time to time relative to the income, expenses, liabilities, accounts, operations, and condition of the property and the status of the insured mortgage.

(g) All rents and other receipts of the project shall be deposited in the name of the project in a bank, whose deposits are insured by the F.D.I.C. Such funds shall be withdrawn only in accordance with the provisions of this Agreement for payment of the project and remittance to the Commissioner as required under Paragraph (d) above. Any power receiving funds of the project shall immediately deposit such funds in the project bank account and failing to do so in violation of this Agreement shall hold such funds in trust. Any power receiving property of the project in violation of this Agreement shall immediately deliver such property to the project and failing to do so shall hold such property in trust.

11. Owners will comply with the provisions of any Federal, State, or local law prohibiting discrimination in housing on the grounds of race, color, creed, or national origin, including Title VI of the Civil Rights Act of 1964 (Public Law 88-352, 78 Stat. 24), all requirements imposed by or pursuant to the Regulations of the Department of Housing and Urban Development 24 CFR, Subtitle A, Part III issued pursuant to that title, and regulations issued pursuant to Executive Order 11063.

12. Upon a violation of any of the above provisions of this Agreement by Owners, the Commissioner may give written notice thereof to Owners, by registered or certified mail, addressed to the address shown in this Agreement, or such other address as may subsequently, upon proper written notice thereof to the Commissioner, be designated by the Owners as their legal business address. If such violation is not corrected to the satisfaction of the Commissioner within thirty days after the date such notice is mailed or notified, the Commissioner may immediately terminate this Agreement and enter into possession of the property, and upon such termination the Commissioners may declare a default under this Agreement effective as of the date of such declaration of default and upon such default the Commissioner may:

(a) (1) If the Commissioner holds the note - declare the whole of and indebtedness evidenced thereby due and payable, and then proceed with the foreclosure of the mortgage;

(b) Collect all rents and charges in connection with the operation of the project and sue such collections to pay the mortgagee's obligations under this Agreement and upon the note and mortgage and the necessary expenses of preserving the property and operating the project;

(c) Take possession of the project, bring any action necessary to enforce any rights of the Owners growing out of the project operations, and operate the project in accordance with the terms of this Agreement until such time as the Commissioner determines that the Owners are again in a position to operate the project in accordance with the terms of this Agreement and in compliance with the requirements of the note and mortgage.

(4) Apply to any court, State or Federal, for specific performance of any of the Agreements, for an injunction against any violation of the Agreement, or for an order directing any party to take over and operate the project in accordance with the terms of the Agreement, or for such other relief as may be appropriate, since the injury to the Commissioner arising from a default under any of the terms of this Agreement would be irreparable and the amount of damage would be difficult to ascertain.

(d) Proceed for the recovery of possession of the property, and then proceed with the foreclosure of the mortgage made pursuant to Paragraph 1 hereinabove.

13. An action for the payment due under this Agreement shall be brought by the Commissioner because of his liability under the provisions of the note for insurance, and an action for the other obligations under this Agreement, the Owners respectively assign, pledge, and mortgage to the Commissioner their rights in the rents, profits, income and charges of whatever nature which the Owner may receive or be entitled to receive from the operation of the mortgaged property, subject, however, to any assignment of rents in the insured mortgage referred to herein. Until a default is declared under this Agreement, however, or for default in the process of Owners to collect and retain under the provisions of this Agreement any rents, profits, income, and charges, the Owner shall be entitled to retain all rents due and collect thereafter.

14. As used in this Agreement the terms:

(a) "Mortgagee" includes "Deed of Trust"; "Trustee Mortgage"; and any other security for the note identified herein, and endorsed for insurance or held by the Commissioner;

(b) "Mortgagor" refers to the holder of the mortgage identified herein, the successor and assigns;

(c) "Mortgagor" means the original mortgagor under the mortgage and its successors and assigns;

(d) "Owners" refers to the persons named in the first paragraph hereof and designated as Owners, their successors or assigns, or any combination of them who shall hold the note described in this Agreement, or any security for the note identified herein, and endorsed for insurance or held by the Commissioner; or

(e) "Mortgaged Property" includes all property, real, personal, or mixed, covered by the mortgage or mortgages securing the note endorsed for insurance or held by the Commissioner;
MANAGEMENT OF Self-INSURED MULTIFAMILY PROJECTS

APPENDIX I

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(1) "Project" includes the mortgaged property and all other services of whatever nature or whatsoever sites, used by or owned by the business conducted on such mortgaged property, which business is providing housing and other such services as are incidental thereto.

(2) "Beneficial Receipts" mean any cash remaining when

(1) the payment of

(1) All sums due or currently required to be paid under the terms of any mortgage or note insured as held by the Federal Housing Commissioner;
(2) All amounts required to be deposited in the reserve fund for replacements;
(3) All obligations of the project other than the mortgage insured or held by the Commissioner unless funds for payment are not available or deemed to have been approved by the Commissioner;
(4) Remittances due to the Commissioner as required by Paragraph 4(i); and
(5) the segregation of

(1) An amount equal to the aggregate of all special funds required to be maintained by the project;
(2) All tenant security deposits held;
(3) That portion of rents which must be remitted to the Commissioner in accordance with Paragraph 4(i), but not yet done.

(3) "Family" means (1) two or more persons related by blood, marriage, or adoption of law, who occupy the same unit; (2) a handicapped person who has a physical impairment which is expected to be of long continued and indefinite duration, substantially impairs his ability to live independently, and in such a manner that his ability to live independently could be improved by more suitable housing conditions; (3) a single person, 62 years of age or older; or (4) a single person less than 62 years of age provided that occupancy by such person is limited to 10% of the dwelling units in the project;

(4) "Income" means the gross annual income of the family from all sources before taxes and withholding, after giving effect to any deductions allowed by the Commissioner;

(5) "Defects" means a defect declared by the Commissioner when a violation of this Agreement is not corrected in his satisfaction within the time allowed by this Agreement or such further time as may be allowed by the Commissioner after written notice.

10. This instrument shall bind, and the benefits shall inure to, the respective Owners, their heirs, legal representatives, executors, administrators, successors in interest, and assigns, and to the Commissioner and his successors as long as the executory of mortgage insurance continues in effect, and during such further time as the Commissioner shall be the owner, holder, or successor of the mortgage, or obligated to reaffirm the mortgage.

11. In the event the Agreement is executed by a successor corporation to be in capacity as a successor purchaser of the project pursuant to an Agreement with a Builder-Seller mortgagee, said successor corporation agrees that all of the provisions hereof shall continue to bind it in the capacity as its owner of the project upon consummation of the purchase. In the event the purchase is not consummated or final consummation or such latter time as may be agreed to in writing by the Commissioner, he obligations hereunder shall continue.

12. Owners warrant that they have not, and will not, execute any other agreement with provisions contradictory to, or in opposition to, the provisions hereof, and that, in any event, the requirements of this Agreement are paramount and controlling as to the rights and obligations set forth and expressed any other requirement in conflict therewith.

13. The insolvency of any clause, part or provision of this Agreement shall not affect the validity of the remaining portions thereof.

14. The following Owners do not assume personal liability for payments due under the note and mortgage, to the reserve for replacements, or restoration, and are not secured by the assets hereunder, as agreed, nor by the terms herein, provided that such Owners shall remain liable under this Agreement only with respect to the amount hereinbefore stated, namely:

(4) for bonds or property of the project coming into their hands which, by the provisions hereof, they are not entitled to retain; and
(5) for their own acts and deeds or omissions and deeds of others which they have authorized in violation of the provisions hereof.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals on the date first hereabove written.

Owner

Witness

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SECRETARY OF HOUSING AND URBAN DEVELOPMENT

Acting by and through the FEDERAL HOUSING COMMISSIONER

_________________________

By,

_________________________________________

(Add proper acknowledgment)

H.D. Weeks, D.C.