

MINNESOTA HOUSING FINANCE AGENCY

**HFA PREFERRED RISK SHARING™ SUPPLEMENT TO
PARTICIPATION AGREEMENT
FOR
MINNESOTA HOUSING SINGLE FAMILY
MORTGAGE BACKED SECURITIES PROGRAMS**

THIS HFA PREFERRED RISK SHARING™ SUPPLEMENT TO PARTICIPATION AGREEMENT is made and entered into between _____ (the "Lender"), with its office located at _____; and the Minnesota Housing Finance Agency ("Minnesota Housing"), with its office located at 400 Sibley Street - Suite 300, St. Paul, Minnesota 55101-1998.

RECITALS:

- A. Minnesota Housing and the Lender have entered into a Participation Agreement for Minnesota Housing Single Family Mortgage Backed Securities Programs (the "Original Participation Agreement").
- B. The Lender and U.S. Bank National Association (with any other entity appointed as servicer by Minnesota Housing, the "Servicer") have entered into a Participating Lender Agreement in respect of mortgage loans sold by the Lender to U.S. Bank National Association (the "Participating Lender Agreement").
- C. Fannie Mae has developed a new product, commonly known as "HFA Preferred Risk Sharing™," which is available only to state housing finance agencies, such as Minnesota Housing ("HFA Preferred Risk-Sharing Mortgages"). HFA Preferred Risk-Sharing Mortgages may have up to 97% loan-to-value ratios without private mortgage guaranty insurance. HFA Preferred Risk-Sharing Mortgages have a higher Fannie Mae guaranty fee and Minnesota Housing must agree to repurchase HFA Preferred Risk-Sharing Mortgages in certain limited circumstances.
- D. HFA Preferred Risk-Sharing Mortgages, unlike other Mortgage Loans, must be acquired by Minnesota Housing and sold by Minnesota Housing to Fannie Mae. As with other Mortgage Loans, the Servicer will initially purchase the HFA Preferred Risk-Sharing Mortgages from Lenders and, when they are ready to be pooled into mortgage-backed securities guaranteed by Fannie Mae, sell them to Minnesota Housing.
- E. Minnesota Housing has determined to offer HFA Preferred Risk-Sharing Mortgages under one or more of its Programs. Minnesota Housing has revised its Manual and the Servicer has revised its Servicer Guide to include the applicable terms and conditions relating to

HFA Preferred Risk-Sharing Mortgages. In order to originate HFA Preferred Risk-Sharing Mortgages, Lenders must execute this Supplement to their Participation Agreements.

- F. The parties desire to enter into this Supplement to make additional provision for HFA Preferred Risk-Sharing Mortgages and to permit the Lender to originate HFA Preferred Risk-Sharing Mortgages in accordance with the terms and conditions set forth in the Original Participation Agreement as amended and supplemented by this Supplement (as so amended and supplemented, the "Participation Agreement") and the provisions contained in the Manual, the Servicer Guide and, to the extent provided in the Original Participation Agreement, the Participating Lender Agreement.

NOW, THEREFORE, the parties agree as follows:

1. **Definitions.** Terms used with initial capital letters but not defined herein shall have the meanings given such terms in the Original Participation Agreement.
2. **Acknowledgment by Lender.** The Lender acknowledges that Minnesota Housing will acquire HFA Preferred Risk-Sharing Mortgages after they are purchased from the Lender by the Servicer and before they are pooled into one or more mortgage-backed securities, and that under Fannie Mae's HFA Preferred Risk-Sharing product, Minnesota Housing has an obligation to repurchase HFA Preferred Risk-Sharing Mortgages in certain limited circumstances.
3. **Additional Repurchase Obligation of Lender.** In addition to the remedies available to Minnesota Housing and the Servicer under the Participation Agreement and the Participating Lender Agreement, including the repurchase obligation of the Lender to Minnesota Housing under Section 12 of the Original Participation Agreement, the Lender shall repurchase any HFA Preferred Risk-Sharing Mortgage Loan purchased or owned by Minnesota Housing pursuant to the Participation Agreement, at any time during the life of such HFA Preferred Risk-Sharing Mortgage Loan, upon the occurrence of any of the following events:
 - (a) Minnesota Housing has evidence of any violations of any rule, regulation, or requirement of Minnesota Housing, the Servicer or of Fannie Mae.
 - (b) Any false statement, misstatement, or act or omission of material fact contained in the Mortgage Loan documentation resulting from the Lender's negligence or failure to exercise due diligence as disclosed by actual inspection by Minnesota Housing or its representative, or otherwise disclosed.
 - (c) Minnesota Housing is required to repurchase any HFA Preferred Risk-Sharing Mortgage Loan sold or pledged by it to Fannie Mae by reason of the Lender's negligence or failure to exercise due diligence or a deficiency in or omission with respect

to the documents, instruments, and agreements, pertaining to any HFA Preferred Risk-Sharing Mortgage Loan.

(d) Minnesota Housing has evidence that any representation or warranty made by the Lender under the Participation Agreement with respect to any HFA Preferred Risk-Sharing Mortgage Loan is, in whole or in part and with or without knowledge of the Lender, false at the time when made by the Lender or becomes false upon the occurrence of subsequent events.

(e) Any material fraud, misrepresentation or act or omission with respect to the information submitted on a particular HFA Preferred Risk-Sharing Mortgage Loan is determined to exist by the Servicer, Minnesota Housing or Fannie Mae. This includes, but is not limited to, mortgagor or other third party fraud or misrepresentation, and any misrepresentation of the mortgagor's income, funds on deposit, or employment, or of the occupancy status of the mortgaged residence.

(f) The Lender's breach of any covenant or obligation to the Servicer or Minnesota Housing with respect to the HFA Preferred Risk-Sharing Mortgage Loan under the Participation Agreement, the Participating Lender Agreement, the Servicer Guide or the Manual.

The repurchase price for any HFA Preferred Risk-Sharing Mortgage Loan that the Lender is required to repurchase from Minnesota Housing shall be an amount equal to the then unpaid principal balance of the Mortgage Loan on the date of repurchase, plus accrued interest. If at the time repurchase of a Mortgage Loan is required, it is not practicable for the Lender to repurchase the Mortgage Loan because it has been pooled into a mortgage-backed security (the "MBS") and cannot be removed therefrom, then Minnesota Housing may, as alternative remedies, require the Lender (i) to purchase the MBS if the Mortgage Loan is the sole Mortgage Loan pooled in the MBS, at a price equal to the then unpaid principal amount of the MBS on the date of purchase, plus accrued interest, or (ii) to purchase a participation interest in the MBS if the Mortgage Loan is not the only Mortgage Loan pooled in the MBS, at a price equal to the then unpaid principal amount of the MBS allocable to the Mortgage Loan on the date of purchase, plus accrued interest thereon. The Lender shall in any event also pay to Minnesota Housing any premium paid to the Lender upon purchase of the Mortgage Loan, and direct expenses (including reasonable attorneys' fees) incurred by Minnesota Housing for any actions taken by it concerning, as a result of, or in connection with, any of the events or circumstances set forth herein as cause for repurchase.

The exercise by Minnesota Housing of its right to have the Lender repurchase any Mortgage Loan or exercise the alternative remedies specified in this Section shall be in addition to, and not in lieu of, any other rights or remedies that the Servicer or

Minnesota Housing may have against the Lender under the Participation Agreement, the Participating Lender Agreement or applicable law.

4. **Effect of Supplement.** This Supplement is part of and shall be deemed incorporated in the Original Participation Agreement, and the Original Participation Agreement, as amended and supplemented by this Supplement, shall be in full force and effect.
5. **Effective Date.** This Supplement shall become effective if and when (i) the Lender submits an executed copy of this Supplement to Minnesota Housing, and (ii) Minnesota Housing returns a fully executed copy of this Supplement to the Lender.

(REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.)

IN WITNESS WHEREOF, each party has caused this Supplement to Participation Agreement to be executed by its duly authorized officer or officers.

LENDER

By: _____
(Signature of Authorized Officer)

(Printed or Typewritten Name of Authorized Officer)

Its: _____

Date: _____

(Include Additional Signature Below if Required by the
Lender's Bylaws)

By: _____

Its: _____

Date: _____

MINNESOTA HOUSING FINANCE AGENCY

By: _____

Its: Assistant Commissioner

Date: _____