

**Entry Cost Homeownership Opportunity (ECHO) Loan Program
MORTGAGE**

THIS MORTGAGE (hereinafter referred to as the "Mortgage") is made and executed this _____ day of _____, _____ by

(hereinafter collectively referred to as "Borrowers"), and

(hereinafter collectively referred to as "Accommodation Parties"), and given to

whose _____ address _____ is

(hereinafter referred to as the "Lender").

WHEREAS, the Lender has made an Entry Cost Homeownership Opportunity loan to and supplied funds to Borrowers _____, in an amount of

and _____/100 Dollars (\$_____) (hereinafter referred to as the "Loan").

WHEREAS, Borrowers are obligated, at the time of occurrence of certain events, to repay to the Lender the Loan all in accordance with the provisions set forth in that certain Entry Cost Homeownership Opportunity Program Note (hereinafter referred to, along with any amendments, modifications, renewals, extensions, substitutions, or restatements thereof, as the "Note").

WHEREAS, the Accommodation Parties, if any, possess an ownership interest in the real property hereinafter described and consent to the placement of a mortgage lien thereon to secure the repayment of the Loan, but do not agree and shall not be personally liable for the repayment of or obligated to repay such loan.

WHEREAS, if not sooner repaid, the full outstanding and unpaid balance of the Loan must be repaid on the _____ day of _____, _____.

NOW, THEREFORE, in consideration of the foregoing premises and to secure (i) the repayment of indebtedness evidenced by the Note, (ii) the payment of all other sums, with interest thereon, advanced in accordance herewith to protect the security of this Mortgage, and (iii) the performance of the covenants and agreements of Borrowers and Accommodation Parties under this Mortgage and the Note, Borrowers and Accommodation Parties hereby grant, bargain, sell and convey to the Lender and its successors and assigns, forever and with a power of sale, all of their interests in the following described real property located in the County of _____, State of Minnesota:

that has the address of

(hereinafter referred to as "Property Address");

TOGETHER with all improvements now or hereafter erected on such property, and all easements, rights, hereditaments, appurtenances, rents, royalties, mineral, oil and gas rights and profits, water, water rights, and water stock thereto, and all fixtures now or hereafter a part of such property. All of Borrowers' and Accommodation Parties' interest in any and all replacements and additions to such items shall also be covered by this Mortgage. Borrowers' and Accommodation Parties' interest in said real property is hereinafter referred to in this Mortgage as the "Mortgaged Property."

PROVIDED NEVERTHELESS that if Borrowers, Borrower's heirs, executors, or administrators, shall (i) pay, or cause to be paid, to the Lender, its successors or assigns, when due the aggregate amount of the Loan heretofore and hereafter advanced by the Lender to Borrowers, or for Borrowers' benefit, and interest due, if any, according to the terms and conditions of the Note, and (ii) pay all other sums, with interest thereon, as may be payable by Borrowers to the Lender in accordance with this Mortgage or the payment of which may now or hereafter be secured by this Mortgage, including, but not limited to, all amounts disbursed or incurred by the Lender in exercising any rights and remedies under this Mortgage, including without limitation all reasonable attorneys' fees, then this Mortgage shall

be null and void, otherwise this Mortgage shall be and remain in full force and effect.

1. **COVENANTS AND WARRANTIES.** Borrowers and Accommodation Parties hereby make the following warranties, representations and covenants regarding their collective ownership of the Mortgaged Property, liens and/or encumbrances thereon, and use thereof, and all of such warranties, representations and covenants shall survive the foreclosure of this Mortgage:
 - A. Borrowers and Accommodation Parties are lawfully seized in fee simple of that portion of the Mortgaged Property that is real property as described hereinabove and is the absolute owner of that portion of the Mortgaged Property that is personal property;
 - B. Borrowers and Accommodation Parties have the right and power to mortgage and convey the Mortgaged Property;
 - C. The Mortgaged Property is free from all liens, security interests, and encumbrances, except for that certain mortgage lien granted by Borrowers to _____ by way of a mortgage (herein referred to as the "First Mortgage") dated of even date herewith that secures the repayment of a mortgage loan in the original principal amount of \$ _____,
 - D. Borrowers and Accommodation Parties will warrant and defend the title to the Mortgaged Property against all claims, whether now existing or hereafter arising, other than the lien created by the First Mortgage,
 - E. All real estate taxes and special assessments that apply to the Mortgaged Property have been paid to date and are current;
 - F. All buildings, improvements, and fixtures now or hereafter located on the real property described hereinabove are, or will be, located entirely within the boundaries of such real property, and
 - G. Borrowers will fully comply with all the terms and conditions of the Note.
2. **Payment of Principal and Interest.** Borrowers shall promptly pay to the Lender, or its successor and assigns, when due, the principal of and interest, if any, on the indebtedness evidenced by the Note.

If the Lender, pursuant to the provisions contained in the Note, declares that the Loan has become due and payable to the Lender and Borrowers fails to pay such amount to the Lender when due, then Borrowers shall be required to pay the Lender interest on such outstanding and due and owing amount at the rate of the lesser of eighteen percent (18%) or the highest interest rate

permissible under applicable law, and shall be payable, with interest, upon notice from Lender to Borrowers requesting payment.

3. **Application of Payments.** Unless applicable law provides otherwise, any payments received by the Lender under Section 2 hereof shall be applied first to any amounts that the Lender has paid and/or advanced hereunder, second to interest due and payable on the Loan, if any, and last to principal due and owing on the Loan.
4. **Compliance with Superior Liens and Payment of Taxes and Assessments.** Borrowers and Accommodation Parties shall fully comply with all of the terms, conditions, covenants and warranties contained in any and all mortgages, deeds of trust, contract for deeds, leases, or other security agreements that create a lien which has, or will have, a priority over the lien created by this Mortgage, and shall pay all taxes, assessments, charges, fines and impositions attributable to the Mortgaged Property which may attain a priority over the lien created by this Mortgage, and leasehold payments or ground rents, if any, relating to their ownership or use of the Mortgaged Property. Borrowers and Accommodation Parties shall pay these obligations by making payment, when due, directly to the persons owed such payment. Borrowers shall promptly furnish to the Lender all notices of amounts due under this Section, and receipts evidencing such payments.
5. **Hazard Insurance.** Borrowers and Accommodation Parties shall procure, at Borrowers' and Accommodation Parties' own expense, fire and extended coverage insurance on the building(s) on the Mortgaged Property, payable in case of loss to the Lender, its successors and assigns, as its interest may appear, such insurance to be written by a reliable insurance company approved by the Lender, its successors and assigns, in an amount at least equal to the aggregate principal balance from time to time outstanding on the First Mortgage and this Mortgage.
6. **Preservation and Maintenance of Property; Leaseholds; Condominiums; and Planned Unit Developments.** Borrowers and Accommodation Parties shall keep the Mortgaged Property in good repair, and shall not destroy, damage or substantially change the Mortgaged Property, allow the Mortgaged Property to deteriorate, commit waste, or permit impairment or deterioration of the Mortgaged Property. If this Mortgage is on a unit in a condominium or a planned unit development, then Borrowers and Accommodation Parties shall further perform all of Borrowers' and Accommodation Parties' obligations under the declaration or covenants creating or governing the condominium or planned unit development, the by-laws and regulations of the condominium or planned unit development, and all constituent documents.

7. **Protection of Lender's Security.** If Borrowers and Accommodation Parties fail to perform the covenants and agreements contained in this Mortgage, or if there is any legal proceeding that may significantly affect the Lender's interest in the Mortgaged Property (such as a proceeding in bankruptcy, probate, condemnation, or to enforce laws or regulations), then the Lender may, at its sole option and discretion, do and pay for whatever is necessary to protect the value of the Mortgaged Property and the Lender's rights in the Mortgaged Property. The Lender's actions may include paying any sums secured by a lien that has priority over the lien created by this Mortgage, appearing in court, paying reasonable attorneys' fees and entering on the Mortgaged Property to make repairs.

Any amounts disbursed by the Lender under this Section 7 shall become additional debt of Borrowers due under the Note and shall be secured by this Mortgage. These amounts shall bear interest from the date of disbursement at the highest interest rate provided in the First Mortgage Lien, or if such First Mortgage Lien has been satisfied then at the lesser of eighteen percent (18%) or the highest interest rate permissible under applicable law, and shall be payable, with interest, upon notice from Lender to Borrowers requesting payment.

Any action taken or expense incurred by the Lender hereunder shall be at its sole option and discretion and nothing contained herein, including but not limited to this Section 7, shall require the Lender to take any action or to incur any expense hereunder.

8. **Inspections.** The Lender may make or cause to be made reasonable entries upon and inspections of the Mortgaged Property in order to confirm Borrowers' and Accommodation Parties' full and complete compliance with the provisions contained herein, and Borrowers and Accommodation Parties hereby consent to the Lender's entry onto and inspection of the Mortgaged Property for such purpose. Provided, however, the Lender shall give Borrowers prior notice of its intent to enter onto and inspect the Mortgaged Property and any such entry and inspection shall take place at a reasonable time.
9. **Condemnation.** The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of any part of the Mortgaged Property or for conveyance in lieu of condemnation are hereby assigned to and shall be paid to the Lender.

In the event of a total taking of the Mortgaged Property, the proceeds shall be applied to the sums secured by this Mortgage, whether or not then due, with any excess paid to Borrowers and Accommodation Parties. In the event of a partial taking of the Mortgaged Property, unless the Lender, Borrowers and Accommodation Parties, otherwise agree in writing, a portion of such proceeds shall be applied against the indebtedness secured by this Mortgage, with such

portion being equal to the amount of the proceeds multiplied by a fraction the numerator of which is the total amount of the sums secured by this Mortgage immediately before the taking and the denominator of which is the fair market value of the Mortgaged Property immediately before the taking. Any balance shall be paid to Borrowers and Accommodation Parties.

If the Mortgaged Property is abandoned by Borrowers and Accommodation Parties or if Borrowers and Accommodation Parties, after notice by the Lender that the condemner offers to make an award or settle a claim for damages, fails to respond to the Lender within thirty (30) days after the date the notice is given, then the Lender is authorized to collect and apply the proceeds, at its sole option and discretion, either to the restoration or repair of the Mortgaged Property or to the sums secured by this Mortgage, whether or not then due.

Unless the Lender, Borrowers and Accommodation Parties, otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date referred to in Section 2 hereof. If under Section 18 the Mortgaged Property is acquired by the Lender, Borrowers' and Accommodation Parties' rights to any condemnation proceeds resulting from the condemnation of any or all of the Mortgaged Property prior to the acquisition shall pass to the Lender to the extent of the sums secured by this Mortgage immediately prior to such acquisition.

The right of the Lender under this Section 9 is subject and subordinate to the rights of any holder of a mortgage, deed of trust, contract for deed, lease, or other security agreement that creates a lien that has a priority over the lien created by this Mortgage.

10. **Borrowers and Accommodation Parties Not Released; Forbearance by Lender Not a Waiver.** Extension of the time for payment of the sums secured by this Mortgage granted by the Lender to any successor in interest of Borrowers and Accommodation Parties shall not operate to release, in any manner, them from the provisions contained in this Mortgage or the Note. The Lender shall not be required to commence proceedings against any successor in interest. Any forbearance by the Lender in exercising any right or remedy shall not be a waiver of or preclude the exercise of any such right or remedy.
11. **Successors and Assigns Bound; Joint and Several Liability; Accommodation Parties.** The covenants and agreements contained herein shall bind and apply to all successors and assigns of the Lender and Borrowers' and Accommodation Parties' covenants and agreements shall be joint and several. An individual who executes this Mortgage but does not execute the Note; (i) is executing this Mortgage for the sole purpose of mortgaging, granting and conveying his/her interest in the Mortgaged Property under the terms of this Mortgage, (ii) is not personally obligated to pay the sums secured by this Mortgage, and (iii) agrees that the Lender and

any other party hereto may agree to extend, modify, forbear, or make any other accommodations with regard to the terms of this Mortgage or the Note without the consent of all of the individuals and entities that constitute the Borrowers and Accommodation Parties and without releasing such individuals and entities or modifying this Mortgage as to such individuals' and entities' interest in the Mortgaged Property.

12. **Loan Charges.** If the indebtedness secured by this Mortgage is subject to a law which sets maximum loan charges and that law is finally interpreted so that the interest or other charges collected or to be collected in connection with such indebtedness exceed the permitted limits, then (i) any such charges shall be reduced by the amount necessary to reduce the charge to the permitted limit, and (ii) any sums already collected which exceeded permitted limits will be refunded to Borrowers. The Lender may choose to make this refund by reducing the principal owed under the Note or by making direct payment to Borrowers. If a refund reduces principal, the reduction will be treated as a partial prepayment under the Note.
13. **Legislation Affecting Lender's Rights.** If enactment or expiration of applicable laws has the effect of rendering any provision of the Note or this Mortgage unenforceable according to its terms, then the Lender, at its sole option and discretion, may require immediate payment in full of all sums secured by this Mortgage and may invoke any remedies permitted under Section 18 hereinbelow. If the Lender exercises this option, then the Lender shall comply with the notice requirement contained in Section 17 hereinbelow.
14. **Notice.** Except for any notice required under applicable law to be given in another manner (i) any notice to Borrowers and Accommodation Parties provided for in this Mortgage shall be given by delivering or mailing such notice by certified mail to Borrowers and Accommodation Parties at the Property Address or at such other address as Borrowers and Accommodation Parties may designate by notice to the Lender, and (ii) any notice to the Lender shall be given by certified mail to the Lender at the address stated herein for the Lender or to such other address as the Lender may designate by notice to Borrowers and Accommodation Parties.
15. **Governing Law; Severability. The laws of the State of Minnesota shall govern this Mortgage.** In the event that any provision or clause of this Mortgage or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Mortgage or the Note which can be given effect without that conflicting provision, and to this end the provisions of this Mortgage and the Note are declared to be severable.
16. **Borrowers' and Accommodation Parties' Copy.** Borrowers and Accommodation Parties shall be given a conformed copy of the Note and of

this Mortgage at the time of execution thereof or within a reasonable time after recordation thereof.

17. **Transfer of the Mortgaged Property.** If all or any part of the Mortgaged Property, or if all or any part of Borrowers' and Accommodation Parties' interest therein, is sold or transferred, whether by lease, deed, contract for deed, or otherwise, whether for consideration or by gift or in the event of death or otherwise, and whether voluntarily, involuntarily or by operation of law, then all sums secured by this Mortgage shall be immediately due and payable. Notwithstanding the foregoing (i) if the Borrowers and Accommodation Parties own the Mortgaged Property as co-tenants, a transfer of the Mortgaged Property, or any interest therein, from one co-tenant to another co-tenant, whether by reason of death or otherwise, shall not be considered a transfer; (ii) a taking by eminent domain shall not be considered a transfer unless it is a total taking and the payment is made for the full value of the Mortgaged Property, (iii) the creation of a lien or encumbrance which has been consented to by the Lender in writing and is subordinate to the lien created by this Mortgage shall not be considered a transfer, and (iv) the creation of a purchase money security interest for household appliances shall not be considered a transfer.

The Lender shall give Borrowers and Accommodation Parties notice of such acceleration, and the notice shall provide a period of not less than thirty (30) days from the date the notice is delivered or mailed within which Borrowers and Accommodation Parties may pay all sums secured by this Mortgage. If Borrowers and Accommodation Parties fails to pay such sums prior to the expiration of such time period, then the Lender may invoke any remedies permitted by the Note or this Mortgage without further notice or demand on Borrowers and Accommodation Parties.

18. **Acceleration; Remedies.** Lender shall give written notice to Borrowers and Accommodation Parties by certified mail prior to acceleration following a foreclosure of the First Mortgage or Borrowers' and Accommodation Parties' breach of any covenant or agreement in the Note or this Mortgage. The notice shall specify; (i) the default, (ii) the action required to cure such default, (iii) a date, not less than thirty (30) days from the date the notice is given, by which such default must be cured, (iv) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Mortgage and the sale of the Mortgaged Property, and (v) that failure to cure such breach shall result in interest accruing on the sums secured by this Mortgage from and after the date of Borrowers' and Accommodation Parties' breach at the highest interest rate provided in the promissory note the repayment of which is secured by the First Mortgage, or if the First Mortgage has been satisfied then at the lesser of eighteen percent (18%) per annum or the highest lawful interest rate. The notice shall further inform Borrowers and

Accommodation Parties of the right to reinstate after acceleration and the right to bring a court action to assert the nonexistence of a default or any other defense of Borrowers and Accommodation Parties to acceleration and sale. If the breach is not cured on or before the date specified in the notice or the date on which the full and remaining outstanding balance of the Loan is to be paid in full as specified hereinabove, then the Lender, at its sole option and discretion, may require immediate payment in full of all of sums secured by this Mortgage without further demand, and may invoke the power of sale and any other remedies permitted by applicable law. The Lender shall be entitled to collect all reasonable costs and expenses incurred in pursuing the remedies provided in this Section 18, including, but not limited to, reasonable attorneys' fees.

If the Lender invokes the power of sale contained herein, then the Lender shall cause a copy of a notice of sale to be served upon the person, if any, in possession of the Mortgaged Property. The Lender shall publish a notice of sale and the Mortgaged Property shall be sold at public auction in the manner prescribed by applicable law. The Lender or its designee may purchase the Mortgaged Property at any sale. The proceeds of the sale shall be applied in the following order (i) to all sums secured by this Mortgage; (ii) to all costs and expenses of the sale, including, but not limited to, reasonable attorneys' fees; and (iii) the excess, if any, to the person or persons legally entitled thereto.

Notwithstanding anything to the contrary contained in this Mortgage or the Note, during the time that the Federal National Mortgage Association is the owner of the First Mortgage or that the First Mortgage is included in a mortgage-backed security issued by the Federal National Mortgage Association, only the occurrence of one or more of the following events shall be the basis for acceleration under this Section; (a) a failure by the Borrowers and Accommodation Parties to make any scheduled, periodic payments due under the Note; (b) a sale or transfer of the Mortgaged Property in violation of Section 17 herein other than a sale or transfer resulting from marriage, divorce, death of spouse, or otherwise permitted by applicable federal law provided, however, such transferee may be required to assume the transferor's obligations under this Mortgage and the Note; (c) the Borrowers' and Accommodation Parties' failure to occupy the Mortgaged Property as his/her/their principal residence; (d) a determination by the Lender that the Borrowers and Accommodation Parties misrepresented a required condition for obtaining the ECHO loan; (e) a cash-out refinancing or full repayment of the First Mortgage; and (f) commencement of foreclosure of the First Mortgage.

19. **Right to Reinstate.** Notwithstanding the Lender's acceleration of the sums secured by this Mortgage due to a breach, Borrowers and Accommodation Parties shall have the right to have any proceedings begun by the Lender to

enforce this Mortgage discontinued at any time prior to the earlier to occur of the sale of the Mortgaged Property pursuant to the power of sale contained herein or the entry of a judgment enforcing this Mortgage if Borrowers and Accommodation Parties (i) pay to the Lender all sums constituting the default actually existing under this Mortgage and the Note at the commencement of foreclosure proceeding under this Mortgage, (ii) cure all breaches of any other covenants or agreements contained in this Mortgage, (iii) pay all reasonable expenses incurred by the Lender in enforcing the covenants and agreements contained in this Mortgage and in enforcing the Lender's remedies as provided in Section 18 hereinabove including, but not limited to, reasonable attorneys' fees, and (iv) take such action as the Lender may reasonably require to assure that the lien created by this Mortgage, the Lender's interest in the Mortgaged Property, and Borrowers' obligation to pay the sums secured by this Mortgage shall continue unimpaired. Upon such payment and cure this Mortgage and the obligation secured hereby shall remain in full force and effect as if no acceleration had occurred.

20. **Lender in Possession.** Upon acceleration under Section 18 hereinabove or abandonment of the Mortgaged Property, and at any time prior to the expiration of any period of redemption following sale of the Mortgaged Property, the Lender (in person, by agent or by judicially appointed receiver) shall be entitled to enter upon, take possession of, and manage the Mortgaged Property, and to collect any rents generated by the Mortgaged Property including those past due. Any rents collected by the Lender or a receiver shall be applied first to payment of the costs of management of the Mortgaged Property and collection of rents, including, but not limited to, receiver's fees, premiums of receiver's bonds, and reasonable attorneys' fees, and then to the sums secured by this Mortgage.
21. **Release.** Upon payment of all sums secured by this Mortgage, the Lender shall discharge this Mortgage without charge; provided, however Borrowers and Accommodation Parties shall be responsible for the payment of all costs of recordation.
22. **Waiver of Homestead.** Borrowers and Accommodation Parties hereby waive all right of homestead exemption in the Mortgaged Property.
23. **Subject to First Mortgage Lien.** This Mortgage is subject and subordinate to the First Mortgage, but not to any modification, extension, replacement, or renewal thereof, without the prior written consent of Lender and only to the extent of the amounts from time to time remaining unpaid thereon, and no further or additional documents shall be needed or required to effectuate such subordination.

24. **Principal Residence.** Borrowers shall, for all time periods that any amount is due and owing under the Note and this Mortgage is outstanding, occupy the Mortgaged Property as their principal residence.
25. **Validity of Information.** All of the facts and information Borrowers and Accommodation Parties supplied regarding the loan evidenced by and relating to the Note and this Mortgage and the Loan secured by the First Mortgage Lien were true and correct at the time they were supplied and continue to be true and correct until the Loan is paid in full.

IN WITNESS WHEREOF, Borrowers and Accommodation Parties executed this Entry Cost Homeownership Opportunity Loan Program Mortgage on the day and date first above written.

(THE REMAINING PORTION OF THIS PAGE WAS INTENTIONALLY LEFT BLANK.)

ACCOMMODATION PARTY(S)	BORROWER(S)
(Type name of Accommodation Party)	(Type name of Borrower)
(Type name of Accommodation Party)	(Type name of Borrower)
(Type name of Accommodation Party)	(Type name of Borrower)
(Type name of Accommodation Party)	(Type name of Borrower)

ss.

This instrument was acknowledged before me this _____ day of _____, _____, by _____.

Notary Public

ss.

This instrument was acknowledged before me this _____ day of _____, _____, by _____.

Notary Public

Drafted by:

400 Sibley Street, Suite 300
St. Paul, Minnesota 55101-1998

Minnesota Housing Finance Agency