**{EXHIBIT 2}**

**SUBORDINATION AGREEMENT**

**(MORTGAGE LOAN TO MARK-TO-MARKET USE AGREEMENT)**

**THIS SUBORDINATION AGREEMENT** (this "Agreement") is made, as of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, 20\_\_, by and among \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, a\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (the "Mortgagee"), \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (“Owner”), and SECRETARY OF HOUSING AND URBAN DEVELOPMENT, WASHINGTON (the "Secretary" or "HUD").

**RECITALS:**

**A.** Owner owns all of that certain real property located in the City of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, in the County of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, in the State of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, as more particularly described in Exhibit A attached hereto and made a part hereof (the "Real Property"), on which is constructed that certain rental apartment project known as \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Apartments, FHA Project No/IREMS No. \_\_\_\_-\_\_\_\_\_\_\_\_\_,if applicable (the "Project" and, together with the Real Property, the “Property”).

**B**. The Property is or will be encumbered by that certain mortgage loan (the "Loan") made to or assumed by the Owner, which Loan is evidenced by that certain {*select appropriate Deed of Trust/Mortgage*} Note dated \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_, in the original principal amount of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_/100 Dollars ($\_\_\_\_\_\_\_\_\_\_\_\_\_\_)(as amended and/or assigned through the date hereof, the "Mortgage Note"), and is secured by that certain {*select appropriate Deed of Trust/Mortgage*} of even date therewith recorded on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_ among the land records of the jurisdiction in which the Property is located (the “Land Records”) as Instrument No. \_\_\_\_\_\_\_\_ (as amended and/or assigned through the date hereof, the "Mortgage"), and certain other instruments executed in connection with the Loan (the documents evidencing the Loan, including without limitation the Mortgage Note and the Mortgage, hereinafter shall be referred to collectively as the "Loan Documents").

**C.** Owner, or the Owner’s predecessor in title to the Property, and HUD entered into that certain Use Agreement for Multifamily Projects Participating in the Mark-to-Market Program Underthe Multifamily Assisted Housing Reform and Affordability Act of 1997 (as amended through the date hereof, “M2M Use Agreement”), dated {*insert date of M2M Use Agreement*} \_\_\_\_\_\_\_\_\_\_\_\_, 20\_\_ , and recorded {*insert date*} in {*insert deed book and page or equivalent reference*} in the Land Records;

**D.** The M2M Use Agreement sets forth certain obligations requiring the use of the Property, affordability of the units rented, and similar restrictions, pursuant to section 514(e)(6) of the Multifamily Assisted Housing Reform and Affordability Act of 1997 (Pub. L. No. 105-65, 111 Stat. 1384), which obligations must remain in full force and effect for the full term of the M2M Use Agreement.

**E.** With respect to the Owner’s obligations to HUD, Owner has requested that the Mortgagee confirm that the Loan and Loan Documents are, and will remain, subordinate to the M2M Use Agreement.

**NOW, THEREFORE,** in consideration of the foregoing recitals, the sum of Ten Dollars ($10.00), and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, for themselves and for their respective successors and assigns, hereby agree as follows:

**1. Incorporation of Recitals.** The foregoing recitals are hereby incorporated by reference as if fully set forth herein.

**2**. **Subordination**. The liens, encumbrances, charges, operations and effects of the Loan and Loan Documents are hereby fully subordinated to the charge, operation and effect of the M2M Use Agreement and shall at all times hereafter be and remain inferior to the M2M Use Agreement. The parties hereto agree to enter into such further subordination instruments as may be reasonably requested from time to time.

**3**. **Other Agreements.** The Mortgagee represents and warrants that it has not and will not execute any other agreements with provisions contradictory or in opposition to the provisions of this Agreement and that, in any event, the provisions of this Agreement are paramount and controlling as to the rights and obligations set forth herein and supersede any other conflicting requirements.

**4**. **Binding Effect.** This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and/or assigns.

**5**. **Amendment.** This Agreement may not be modified except by an instrument in writing executed by each of the parties hereto.

**6**. **Severability.** Notwithstanding anything herein contained, if any one or more of the provisions of this Agreement shall for any reason whatsoever be held to be illegal, invalid or unenforceable in any respect, such illegality, invalidity or unenforceability shall not affect any other provision of this Agreement, but this Agreement shall be construed as if such illegal, invalid or unenforceable provision had never been contained herein.

**7. Headings.** The headings and titles to the sections of this Agreement are inserted for convenience only and shall not be deemed a part hereof nor affect the construction or interpretation of any provisions hereof.

**8. Governing Law.** This Agreement shall be governed by all applicable federal laws and the laws of the state in which the Project is located.

**9. Counterparts.** This Agreement may be executed in counterparts, each of which, when so executed and delivered, shall be an original, but all of which together shall constitute one and the same Agreement.

(SIGNATURES AND ACKNOWLEDGMENTS ARE ON THE FOLLOWING PAGES)

**IN WITNESS WHEREOF,** the parties hereto have caused this Subordination Agreement to be executed and made effective as of the date first above written.

**MORTGAGEE:**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

By:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Name:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Title:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**{Add Acknowledgment}**

**(SIGNATURES CONTINUED ON NEXT PAGE)**

**OWNER:**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Title: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**{Add Acknowledgment}**

**(SIGNATURES CONTINUED ON NEXT PAGE)**

HUD:

SECRETARY OF HOUSING AND

URBAN DEVELOPMENT

By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Authorized Agent: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(Printed) Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Title: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

{Add Acknowledgment}

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This information is required to obtain benefits. The Office of Multifamily Housing, Office of Recapitalization, 451 7th Street SW, Room 6230 Washington, DC 20410. HUD may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number. Title V of the Departments of Veterans Affairs and Housing and Urban Development and Independent Agencies Appropriations Act of 1988 (P.L.105-65, 111 Stat. 1384) authorizes the FHA Multifamily Housing Mortgage and Housing Assistance Restructuring Program. HUD implemented a statutory permanent program directed at FHA-insured multifamily projects that have project- based Section 8contracts with above- market rents. The information collection is used to determine criteria eligibility of FHA-insured multifamily properties for participation in the Mark to Market program and the terms on which participation should occur. The purpose of the program is to preserve low-income rental housing affordability while reducing the long-term costs of Federal rental assistance. While no assurances of confidentiality are pledged to respondents, HUD generally discloses this data only in response to a Freedom of Information request.