



SINGLE FAMILY LOAN SALE 2012-3

CONVEYANCE, ASSIGNMENT AND ASSUMPTION AGREEMENT
BY AND BETWEEN
SECRETARY OF THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

AND

organized under the laws of the State of

_____ (“Purchaser”).

Address:

Attention:

Telephone No.: ()

Facsimile No.: ()

Tax I.D./ SSN :

TABLE OF CONTENTS

Page

**ARTICLE I
DEFINITIONS**

Section 1.01 Defined Terms.....2
Section 1.02 Rules of Construction.....7

**ARTICLE II
SALE, CONVEYANCE AND SERVICING TRANSFER**

Section 2.01 Sale, Conveyance and Assumption.....8
Section 2.02 Servicing Transfer.....11
Section 2.03 Mortgage Loan Information12
Section 2.04 Collateral Files and Mortgage Files12
Section 2.05 Books and Records13
Section 2.06 Notes and Mortgages13
Section 2.07 Tax Reporting14
Section 2.08 Interim Servicing Authority14
Section 2.09 Post-Sale Requirements.....13

**ARTICLE III
REPRESENTATIONS AND WARRANTIES; REPURCHASES**

Section 3.02 Representations and Warranties of Member B.....15
Section 3.03 Representations and Warranties of Member A as to Member A.....17
Section 3.04 Representations as to Individual Mortgage Loans.....19
Section 3.05 Repurchases; Cure and Fair Market Value Reductions23
Section 3.06 Expiration of Representations and Warranties26
Section 3.07 Interpretation of Representations.....27

**ARTICLE IV
MISCELLANEOUS PROVISIONS**

Section 4.01 Amendment27
Section 4.02 Counterparts.....27

Section 4.03	Entire Agreement	27
Section 4.04	Rights Cumulative; Waiver	27
Section 4.05	Notices.....	27
Section 4.06	Governing Law	28
Section 4.07	Severability.....	28
Section 4.08	Successors and Assigns.....	28
Section 4.09	Waiver of Jury Trial.....	28
Section 4.10	Third Party Beneficiaries.....	29
Section 4.11	Further Assurances.....	29
Section 4.12	Submission to Jurisdiction; Appointment of Agent for Service of Process.....	29
Section 4.13	Costs and Expenses.....	29
Section 4.14	Facsimile Signature.....	30

EXHIBITS

- Exhibit A – Form of Assignment of Mortgage
- Exhibit B-1 – Post Sale Reporting Requirements
- Exhibit B-2 – Self-Certification Form Servicer Eligibility Provision
- Exhibit B-3 – Self-Certification Form Foreclosure Avoidance Provision
- Exhibit C – Mortgage Loan Schedule Information
- Exhibit D – Repurchased Asset Information Requirements
- Exhibit E-1 – Form of Settlement Statement (First Settlement Date)
- Exhibit E-2 – Form of Settlement Statement (Second Settlement Date)
- Exhibit E-3 – Form of Settlement Statement (Subsequent Settlement Date)
- Exhibit F – Interim Servicing Agreement

SCHEDULES

- Schedule I – Form of Mortgage Loan Schedule and Instructions
(Included in Exhibit C)

RIDERS

- Neighborhood Stabilization Outcomes Pool Mortgage Loan Rider —with exhibits, if applicable
- Supplemental Servicer-Related Rider with exhibits, if applicable

CONVEYANCE, ASSIGNMENT AND ASSUMPTION AGREEMENT

SINGLE FAMILY LOAN SALE 2012-3

THIS CONVEYANCE, ASSIGNMENT AND ASSUMPTION AGREEMENT (the “Agreement”) is made and entered into as of the 13th day of September, 2012 (the “Effective Date”), by and between the U.S. Department of Housing and Urban Development (“HUD”) and Purchaser.

RECITALS

WHEREAS, pursuant to Sections 601(a) and (d) of Public Law 105-276 (1998), codified at 12 U.S.C. §§ 1710(a) and (g), HUD has on September 12, 2012 offered for sale at the Single Family Loan Sale 2012-3 (“SFLS 2012-3”) all of its right, title and interest in the Mortgage Loans, with servicing released and without FHA Mortgage Insurance; and

WHEREAS, certain FHA servicers (each, a “Prior Servicer or Participating Servicer”) have agreed to participate in SFLS 2012-3; and

WHEREAS, the Prior Servicer has assigned or will in the future assign to HUD certain defaulted single-family FHA-insured mortgage loans, and HUD has accepted or will in the future accept an assignment of such mortgage loans and has paid or will in the future pay eligible FHA insurance claims with respect thereto; and

WHEREAS, Purchaser is a sophisticated investor either experienced in, or in the business of, buying and selling single-family mortgage loans; and

WHEREAS, Purchaser submitted one or more bids to purchase the Mortgage Loans acquired or to be acquired from the Prior Servicer; and

WHEREAS, pursuant to the terms and conditions set forth in this Agreement, HUD desires to sell, assign and transfer to Purchaser, and Purchaser wishes to purchase and acquire from HUD, all of HUD’s right, title and interest as mortgagee in and to the mortgage loans acquired from the Prior Servicer, which mortgage loans shall, upon each such sale be set forth on Schedule I hereto (the “Mortgage Loans”); and

WHEREAS, pursuant to the terms and subject to the conditions set forth in this Agreement, upon each sale of Mortgage Loans to Purchaser, Purchaser shall pay HUD for such Mortgage Loans, all as set forth more fully herein;

NOW THEREFORE, in consideration of the foregoing and the covenants and agreements set forth herein, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, HUD and Purchaser agree as follows:

ARTICLE I
DEFINITIONS

1.01 Defined Terms.

Whenever used in this Agreement, the following terms have the meanings specified below:

“**Additional Assets**” has the meaning given in Section 2.01(b).

“**Affiliate**” means, with respect to any specified Person, any other Person who or which, directly or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with such specified Person.

“**Aggregate Sales Price**” means an amount equal to sum of the individual Sales Prices for the Initial Assets or the Additional Assets or Subsequent Assets, as applicable.

“**Agreement**” means this Conveyance, Assignment and Assumption Agreement and all exhibits and schedules hereto, as amended from time to time.

“**Assignment of Mortgage**” means a Mortgage assignment substantially in the form of Exhibit A.

“**Associated PPC Loan**” has the meaning given in Section 2.01(g).

“**Bankruptcy Loan**” means a loan with respect to which the Borrower (a) has made an assignment for the benefit of creditors or has petitioned or applied to any tribunal for the appointment of a custodian, receiver, trustee or similar Person for the Borrower or a substantial part of the Borrower’s assets, (b) has commenced any proceeding under any bankruptcy, reorganization, readjustment of debt, receivership, dissolution, liquidation or similar law or statute of any jurisdiction, or (c) has pending against him any such petition, application or proceedings.

“**Bid Deposit**” means \$[_____], such amount representing the amount, wired to HUD by Purchaser in conjunction with its bid and held by HUD to be applied in accordance with the terms Section 2.01(b)(iii) of this Agreement.

“**Bid Form**” means the form supplied by HUD on which potential purchasers are required to submit their bids to HUD for the Mortgage Loans on the day bids are accepted for the loans offered in SFLS 2012-3.

“**Bid Percentage**” means, for each Mortgage Loan, the percentage (carried to five (5) decimal places) bid by Purchaser on the Bid Form.

“**Borrower**” means the obligor on a Note.

“Business Day” means any day other than a Saturday, Sunday, federal holiday or any other day on which HUD or commercial banks in the District of Columbia are authorized or required by law or executive order to close.

“CERCLA” means the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended, 42 U.S.C. § 9601 *et seq.*, and the rules and regulations promulgated from time to time thereunder.

“Claim” means any claim (including any counterclaim or defensive claim), demand, complaint, cause of action, suit or proceeding, or judgment.

“Claim Date” means, with respect to each Mortgage Loan, the date on which the Prior Servicer is paid the Insurance Claim by HUD as set forth for such Mortgage Loan on Schedule I (and any supplements thereto) of this Agreement.

“Collateral File” means the original Note or, if unavailable, an original lost instrument affidavit or bailee letter, the original or a copy of the recorded Mortgage, the original or copies of all assignments of the Mortgage, and the original or a copy of the title policy referred to in Section 3.04(f).

“Control” shall mean, as to any Person, the power, directly and/or indirectly through one or more intermediaries, to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Controlled” shall have a correlative meaning.

“Effective Date” means the date of this Agreement, as first set forth above.

“Eligible Mortgage Loan” means a single-family mortgage loan, which meets all of the following requirements as of the Claim Date:

- (a) the related Mortgaged Property has no more than four (4) dwelling units;
- (b) it is an FHA-Insured Loan;
- (c) it is Non-Performing;
- (d) it has an Unpaid Principal Balance of no less than \$20,000;
- (e) the related Mortgaged Property has not been seized by the United States Department of Justice and is not otherwise the subject of a seizure order;
- (f) as of the Claim Date, the Mortgaged Property had not sustained any Surchargeable Damage; and
- (g) no foreclosure sale has been scheduled within the sixty (60) calendar day period after the Claim Date, there has been no foreclosure sale or pre-foreclosure sale, and no deed-in-lieu of foreclosure has been accepted.

“**FHA**” means the Federal Housing Administration, an administrative unit within the United States Department of Housing and Urban Development, and any successor thereto.

“**FHA-Insured Loans**” means single-family mortgage loans actively insured by FHA under either Section 203(b) or Section 234(c) of the National Housing Act, 12 U.S.C. §§ 1709(b) and 1715y(c), that are secured by Mortgaged Property in jurisdictions other than Hawaii, Guam, American Samoa and the Northern Marianas Islands, and are either (a) owned and serviced by Prior Servicer or (b) serviced (but not owned) by Prior Servicer, but with respect to which Prior Servicer is authorized by the holder to purchase such mortgage loans from, or submit Insurance Claims on behalf of, the holder.

“**First Settlement Date**” has the meaning given in Section 2.01(a).

“**First Settlement Date Payment**” means the payment made by Purchaser to HUD on the First Settlement Date, in accordance with Section 2.01(a) the Settlement Statement provided by HUD in the form of Exhibit E-1 to this Agreement.

“**Ground Lease**” means, with respect to any Mortgaged Property, a leasehold interest therein instead of a fee interest therein.

“**HUD**” means the Secretary of Housing and Urban Development or the United States Department of Housing and Urban Development, as applicable.

“**Initial Assets**” has the meaning given in Section 2.01(a).

“**Initial Repurchase Date**” means the date on which a repurchase by HUD is effected (and the Repurchase Price paid) pursuant to Section 3.05(a).

“**Insurance Claim**” means, with respect to any Mortgage Loan, the claim submitted by the Prior Servicer for payment by HUD pursuant to the FHA contract of insurance with such claim to be paid upon the assignment of the defaulted FHA-Insured Mortgage Loan.

“**Interim Servicing Fees and Expenses**” has the meaning given in Section 2.02.

“**Lien**” means any lien, Claim, mortgage, security interest, pledge, charge, servitude or other encumbrance of any kind that is secured by the Mortgaged Property.

“**MERS**” means Mortgage Electronic Registration Systems, the mortgage electronic registry that tracks the transfer of beneficial ownership in and servicing rights to some mortgage loans.

“**Mortgage**” means the mortgage, deed of trust or other security instrument, including any amendments or modifications, creating a lien on or security interest in a Mortgaged Property securing the Note.

“**Mortgage File**” means, with respect to a Mortgage Loan, all documents and correspondence that are in the possession or control of the Prior Servicer and that relate to the origination and servicing of the Mortgage Loan, other than the Collateral File.

“Mortgage Loan” means each mortgage loan offered and/or sold to Purchaser pursuant to this Agreement, all of which shall be listed on Schedule I hereto, as the same may be supplemented by delivery of a supplement to Schedule I by HUD to Purchaser, and each Mortgaged Property held as a result of the conversion of a mortgage loan to the related Mortgaged Property as a result of foreclosure, acceptance of a deed-in-lieu or any comparable proceedings.

“Mortgaged Property” means the underlying property securing a Mortgage Loan consisting of a fee simple estate or Ground Lease in a parcel of land improved by a one-to-four family residential dwelling, together with any personal property, fixtures, leases and other property or rights pertaining thereto.

“New Servicer” means Purchaser, or any Person selected by the Purchaser to service the Mortgage Loans.

“NHA” means the National Housing Act, 12 U.S.C. §§ 1701 *et seq.*, as amended, and any successor thereto.

“Non-Performing” means that, as of the date specified, the Mortgage Loan is not currently, or has not been for at least the immediately preceding five (5) consecutive months, performing in accordance with the terms of the Note.

“Note” means, with respect to any Mortgage Loan as of any date of determination, the note or other evidence of indebtedness and/or agreement evidencing the indebtedness of a Borrower under such Mortgage Loan, including any amendments or modifications, or any renewal or substitution notes, as of such date.

“Party” means either HUD or Purchaser, and **“Parties”** means both HUD and Purchaser.

“Person” means any individual, corporation, limited liability company, partnership (general or limited), firm, joint venture, association, joint-stock company, trust, estate, unincorporated organization, governmental or regulatory body or other entity.

“Post-Claim Servicing Period” has the meaning given in Section 2.08.

“Post-Sale Report” has the meaning given in Section 2.09 of this Agreement.

“Prior Servicer or Participating Servicer” means, with respect to any Mortgage Loan, the FHA-approved servicer from which the Mortgage Loan was assigned to HUD and from which the servicing for such Mortgage Loan will be transferred to the New Servicer.

“Proposed Adjustment Notice” has the meaning given such term in Section 2.01(c).

“Purchaser” means the person or entity identified on the cover page of this Agreement.

“REO” means Mortgaged Property to which title has been taken as a result of a foreclosure, acceptance of a deed-in-lieu of foreclosure, or any comparable proceeding.

“Repurchase Price” means an amount equal to (i) the Sales Price *plus* (ii) all unreimbursed advances (which shall in no event include any allocation of overhead or indirect costs of Purchaser) made after the Claim Date by or on behalf of Purchaser, *minus* (iii) an amount equal to all principal and interest collections received after the Claim Date, and *minus* (iv) the balance on the Initial Repurchase Date of all escrow and suspense accounts with respect to the Mortgage Loan.

“RESPA” means the Real Estate Settlement Procedures Act, as amended, and any successor thereto, and rules and regulations promulgated from time to time thereunder.

“Reverse Repurchase Date” means the date on which a repurchase by Purchaser is effected (and the Reverse Repurchase Price paid) pursuant to Section 3.05(c).

“Reverse Repurchase Price” means, (a) with respect to any Mortgage Loan to be repurchased by Purchaser that was originally sold to Purchaser repurchased by HUD in accordance with Section 3.05, an amount equal to (i) the Repurchase Price *plus* (ii) all unreimbursed advances made after the Initial Repurchase Date by HUD, *minus* (iii) an amount equal to all collections received after the Initial Repurchase Date by HUD and, *minus* (iv) the balance on the Reverse Repurchase Date of all escrow and suspense accounts with respect to the Mortgage Loan

“Sales Price” means, for each Mortgage Loan, an amount equal to the product of the applicable Bid Percentage and the Unpaid Principal Balance.

“Second Settlement Date” has the meaning given in Section 2.01(b).

“Second Settlement Date Payment” means the payment made by Purchaser to HUD on the Second Settlement Date, in accordance with Section 2.01(b) the Settlement Statement provided by HUD in the form of Exhibit E-2 to this Agreement.

“Servicing Transfer” means, for each Mortgage Loan, the transfer of servicing duties from the Prior Servicer to the New Servicer after the applicable Settlement Date.

“Servicing Transfer Date” means with respect to any Mortgage Loan the date, which must occur no later than December 31, 2012, on which the actual servicing duties for such Mortgage Loan has been or will be transferred from the Prior Servicer to the New Servicer.

“Settlement Date” means the First Settlement Date or the Second Settlement Date, or Subsequent Settlement Date, if any.

“Settlement Date Payment” means the payment made to HUD by Purchaser on the First Settlement Date, the Second Settlement Date, or subsequent Settlement Date mutually agreed upon by the Parties pursuant to Section 4.01 of this Agreement, as applicable.

“Settlement Statement” means a Settlement Statement in the form of Exhibit E-1, Exhibit E-2 or Exhibit E-3, as applicable.

“Subsequent Assets” has the meaning given in Section 2.01(c).

“Subsequent Settlement Date” means a Settlement Date subsequent to the First and Second Settlement Dates when payment is made by the Purchaser to HUD for a previously undelivered group of Mortgage Loans that has been agreed upon by the Parties and incorporated into this Agreement through an amendment made pursuant to Section 4.01.

“Subsequent Settlement Date Payment” means the payment made by Purchaser to HUD on the Subsequent Settlement Date, if any, in accordance with Section 2.01(c) the Settlement Statement provided by HUD in the form of Exhibit E-3 to this Agreement

“Surchargeable Damage” means damage due to fire, flood, earthquake, hurricane, tornado, mortgagee neglect and, in the case of condominiums (only) boiler explosion. For purposes of this definition, “mortgagee neglect” shall mean damage or destruction due to the mortgagee’s failure to take reasonable action to inspect, protect and preserve the property as provided in 24 C.F.R. § 203.377.

“Unpaid Principal Balance” means, as of the relevant date, the outstanding principal amount due on the Mortgage Loan.

1.02 Rules of Construction.

This Agreement shall be construed in accordance with the following rules of construction:

- (a) The section and article headings contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.
- (b) References in this Agreement to articles, sections and subsections (unless expressly referring to another instrument) are to articles, sections and subsections of this Agreement.
- (c) This Agreement shall be construed fairly as to all Parties and not in favor of or against any Party regardless of which Party prepared this Agreement.
- (d) Terms defined in this Agreement include the plural as well as the singular and pronouns and variations thereof used in this Agreement refer to the masculine, feminine or neuter, singular or plural, as the identity of the Person or Persons may require.
- (e) Use of the term or phrase “including”, “including, without limitation” or “including, but not limited to” shall mean “including, without limitation.”
- (f) References in this Agreement to a “state” shall be inclusive of the District of Columbia, the Virgin Islands and Puerto Rico.

- (g) All times herein refer to Eastern Daylight Time or Eastern Standard Time, as applicable.

ARTICLE II
SALE, CONVEYANCE AND SERVICING TRANSFER

2.01 Sale, Conveyance and Assumption.

- (a) **First Settlement.** The first settlement date is October 18, 2012 (the “First Settlement Date”). On or before October 16, 2012, HUD shall deliver to Purchaser a list of the Mortgage Loans acquired by HUD from the Prior Servicer for the First Settlement Date (the “Initial Assets”). The list shall include for each such Mortgage Loan on such list, the information set forth on Exhibit C hereto. On the First Settlement Date, the list of Initial Assets shall be attached as Schedule I to this Agreement. Purchaser shall purchase the Initial Assets for an amount equal to the Aggregate Sales Price of such Initial Assets. On the First Settlement Date, the Settlement Date Payment shall be an amount equal to the amount set forth on the Settlement Statement for the Initial Assets. The aggregate positive escrow and suspense balances for the Initial Assets shall be subtracted from the Aggregate Sales Price to determine the net amount due as the Settlement Date Payment. The Settlement Date Payment is to be wired on the First Settlement Date prior to 2:00 p.m. ET to the account identified below:

R & T Number	061008766
Bank	FHLB ATL
City/State	Atlanta, GA
To Credit	FHA Single Family Account
Account Number	02997500
Reference	SFLS 2012-3

Upon receipt of the Settlement Date Payment by HUD, HUD shall be deemed to have sold and conveyed to Purchaser, as of the applicable Claim Date for each Mortgage Loan, the Initial Assets identified as being purchased on Schedule I.

On or before October 16, 2012, HUD shall deliver to Purchaser a Settlement Statement in the form of Exhibit E-1 for the First Settlement Date and Schedule I for all of the Initial Assets to be conveyed on the First Settlement Date.

- (b) **Second Settlement.** The second settlement date is November 29, 2012 (the “Second Settlement Date”). On or before November 27, 2012, HUD shall deliver to Purchaser a list of the Mortgage Loans acquired by HUD from the Prior Servicer for the Second

Settlement Date (the “Additional Assets”). The list shall include for each such Mortgage Loan on such list, the information set forth on Exhibit C hereto. On the Second Settlement Date, the list of Additional Assets shall be a supplement to and an amendment of Schedule I (and shall be identified as “Supplement No. 1 to Schedule I”). Purchaser shall purchase those Additional Assets for an amount equal to the Aggregate Sales Price of such Additional Assets.

On or before November 27, 2012, HUD shall deliver to Purchaser a Settlement Statement in the form of Exhibit E-2 for any Mortgage Loans to be purchased on such Second Settlement Date and the Supplement No. 1 to Schedule I for all of the Additional Assets to be conveyed on the Second Settlement Date.

On the Second Settlement Date, the Settlement Date Payment shall be an amount equal to:

- (i) the aggregate amount of the Sales Price for each of the Additional Assets;
- (ii) minus the aggregate positive escrow and suspense balances for the Additional Assets;
- (iii) minus the entire amount of the Bid Deposit.

The Settlement Date Payment is to be wired on the Second Settlement Date prior to 2:00 p.m. ET to the account identified below:

R & T Number	061008766
Bank	FHLB ATL
City/State	Atlanta, GA
To Credit	FHA Single Family Account
Account Number	02997500
Reference	SFLS 2012-3

Upon receipt of the Settlement Date Payment by HUD, HUD shall be deemed to have sold and conveyed to Purchaser, as of the applicable Claim Date for each Mortgage Loan, the Additional Assets identified as being purchased on the Supplement No. 1 to Schedule I.

- (c) **Subsequent Settlement.** If mutually agreed upon by the Parties, on or before the date specified in such agreement, HUD shall deliver to Purchaser a list of the Mortgage Loans acquired by HUD from the Prior Servicer for any Subsequent Settlement Date (the “Subsequent Assets”). The list shall include for each such Mortgage Loan on such list, the information set forth on Exhibit C hereto. On the Subsequent Settlement Date, the list of Subsequent Assets shall be attached as Supplement No. 2 to Schedule I. Purchaser shall purchase the Subsequent Assets for an amount equal to the Aggregate Sales Price of such Subsequent Assets. On the Subsequent Settlement Date, the Settlement Date Payment shall be an amount equal to the amount set forth on the Settlement Statement for the Subsequent Assets. The

aggregate positive escrow and suspense balances for the Subsequent Assets shall be subtracted from the Aggregate Sales Price to determine the net amount due as the Settlement Date Payment. The Settlement Date Payment is to be wired on the Subsequent Settlement Date prior to 2:00 p.m. ET to the account identified below:

R & T Number	061008766
Bank	FHLB ATL
City/State	Atlanta, GA
To Credit	FHA Single Family Account
Account Number	02997500
Reference	SFLS 2012-3

Upon receipt of the Settlement Date Payment by HUD, HUD shall be deemed to have sold and conveyed to Purchaser, as of the applicable Claim Date for each Mortgage Loan, the Subsequent Assets identified as being purchased on Supplement No. 2 to Schedule I.

On or before the date agreed upon by the parties, HUD shall deliver to Purchaser a Settlement Statement in the form of Exhibit E-3 for the Subsequent Settlement Date and Supplement No. 2 to Schedule I for all of the Subsequent Assets to be conveyed on the Subsequent Settlement Date.

- (d) **Use of Special Purpose Entity Acquisition Vehicle (SPE).** Purchaser shall be permitted to use a special purpose entity acquisition vehicle (SPE) in settling on the purchase of the Mortgage Loans, whereby HUD will assign such Mortgage Loans directly to the SPE pursuant to the terms of a Consent to Assignment (a sample of which was provided in the Bidder Information Package). As provided in the Qualification Statement, the SPE must satisfy the requirements of a qualified bidder pursuant to the Qualification Statement prior to the settlement date. The Purchaser shall provide HUD with the legally sufficient reference to the SPE for purposes of completing the assignment of the Mortgage Loans.
- (e) **Post-Settlement Date Revisions to Settlement Statement.** Within 60 calendar days after the Second Settlement Date (or Subsequent Settlement Date, if applicable), if HUD or Purchaser determine that any one or more of the amounts set forth on any Settlement Statement was computed incorrectly, the Party making such determination will, within such 60 calendar day period, provide the other Parties hereto with a written notice identifying the error (such notice a "Proposed Adjustment Notice"). The Proposed Adjustment Notice must identify the affected Mortgage Loans and include a reasonably detailed description of any purported error on the Settlement Statement. If HUD determines that an adjustment is required, within five (5) Business Days of receipt of the Proposed Adjustment Notice HUD will either remit any net overpayment to Purchaser or Purchaser will remit any net underpayment to HUD, as applicable, in either case without interest. HUD will also revise Schedule I or Supplement No. 1 (or Supplement No. 2) to Schedule I (as applicable) to reflect such adjustments.

- (f) **Escrows.** For each Mortgage Loan, positive escrow account balances as of the calendar day prior to the Claim Date will be accounted for on the Settlement Statement and credited towards the Settlement Date Payment due from the Purchaser on the applicable Settlement Date. Escrow funds remitted to the Prior Servicer by borrowers on and after the Claim Date will be remitted to Purchaser by the Prior Servicer as part of the Servicing Transfer. Furthermore, upon purchase of the Mortgage Loans, Purchaser shall fund each individual Borrower's escrow account in an amount equal to the balance provided in Column L of Schedule I (refer to Exhibit C). For any of the Mortgage Loans without a positive escrow balance, the Prior Servicer will furnish such information as may be necessary to establish an escrow account for the Borrower.
- (g) **Application of Bid Deposit.** The Bid Deposit shall be applied against amounts due by Purchaser to HUD on the Second Settlement Date.
- (h) **Assignment and Assumption.** Effective as of the applicable Claim Date, and subject to the consummation of the transactions described in Section 2.01(a) and 2.01(b), and subject further to the other terms and conditions of this Agreement, HUD does hereby sell, transfer, assign, set over and convey, without recourse, to Purchaser, all right, title and interest of HUD in and to the Initial Assets and the Additional Assets (and the Subsequent Assets, if applicable), including all amounts received with respect thereto on and after the applicable Claim Date. On and after the applicable Claim Date, Purchaser assumes and shall be responsible for all obligations and liabilities of HUD relating to and arising from the Initial Assets and the Additional Assets (and the Subsequent Assets, if applicable).
- (i) **Associated Partial Payment of Claim Loans.** In some instances, the Prior Servicer may have completed a loss mitigation action that resulted in a partial payment of claim under the FHA contract of insurance for a Mortgage Loan. In these cases the Borrower executed a promissory note creating a secondary mortgage payable to HUD (the "Associated PPC Loan"). HUD does hereby transfer, assign, set over and convey, without recourse, to Purchaser, the Associated PPC Loans held by HUD, identified on Schedule I, in accordance with the same terms applicable to the Mortgage Loans as provided in Section 2.01(f). There shall be no purchase price applicable to the Associated PPC Loans. On and after the applicable Claim Date, Purchaser assumes and shall be responsible for all obligations and liabilities of HUD relating to and arising from the Associated PPC Loans.

2.02 **Servicing Transfer.**

On the related Servicing Transfer Date, in accordance with the terms of the Interim Servicing Agreement, attached as Exhibit F of this Agreement, the Prior Servicer shall transfer to the New Servicer the servicing for the Mortgage Loans. HUD shall request that the Prior Servicer coordinate and cooperate with Purchaser and the New Servicer to affect an orderly and timely transfer of the servicing for each Mortgage Loan onto the New Servicer's servicing system. Within three (3) Business Days after the Effective

Date, Purchaser shall provide HUD (and, if directed by HUD, the Prior Servicer) with all of the information necessary to allow the Prior Servicer to prepare and send to Borrowers any required disclosures regarding the sale or transfer of servicing, including “goodbye/hello” letters meeting the requirements of RESPA with respect to both the Prior Servicer and the New Servicer.

Within twenty (20) Business Days after receipt from a Prior Servicer of an invoice for interim servicing fees due to and advances made by such Prior Servicer from the Claim Date through the Servicing Transfer Date (the “Interim Servicing Fees and Expenses”), Purchaser shall pay or cause the New Servicer to pay such Interim Servicing Fees and Expenses in full in accordance with Article II of the Interim Servicing Agreement, attached as Exhibit F of this Agreement.

2.03 Mortgage Loan Information.

In accordance with the terms the Interim Servicing Agreement, attached as Exhibit F of this Agreement, the Prior Servicer shall deliver to the New Servicer, within five (5) Business Days after the Servicing Transfer Date for any Mortgage Loans and to the extent available on Prior Servicer’s servicing system, with respect to such Mortgage Loans: (i) a trial balance as of the Claim Date and as of the Servicing Transfer Date (including with the Servicing Transfer Date trial balance a list or some other appropriate identification of Bankruptcy Loans, and loans with respect to which the foreclosure process has been initiated or litigation exists), (ii) master record data as of the Servicing Transfer Date in an electronic format, (iii) one or more reports itemizing dates and amounts of payments received and applied, including each principal and interest payment, tax payment, special assessment, hazard insurance premium payment, mortgage insurance premium payment, ground rent payment and other payments (including each advance), (iv) histories for the period prior to the Servicing Transfer Date, (v) escrow data, including escrow balances, coverage, accrual and payees, (vi) default data, including any modification and repayment plan terms and the names and addresses of any foreclosure or bankruptcy attorneys or trustee.

2.04 Delivery of Collateral Files and Mortgage Files.

With respect to each Mortgage Loan, subject to the payment by Purchaser of all amounts required pursuant to Section 2.01, as of the Claim Date, the ownership of the contents of the Collateral File and the Mortgage File shall be vested in Purchaser. With respect to each Mortgage Loan, and assuming the consummation of the transactions described in Section 2.01(a) or 2.01(b), on or before each Settlement Date, HUD shall deliver to Purchaser a complete Collateral File for each of the Mortgage Loans sold to Purchaser pursuant to Sections 2.01(a) and (b) on such Settlement Date and direct the Prior Servicer to deliver to the New Servicer the Mortgage File for each of the Mortgage Loans on such Servicing Transfer Date. Failure by HUD to deliver a Collateral File on the Settlement Date shall not affect the obligation of Purchaser to accept the related Mortgage Loan or the obligation of the Purchaser to make payment to HUD for such Mortgage Loan; provided, however, that all Collateral Files shall be delivered to Purchaser within sixty (60) calendar days of the applicable Settlement Date.

For purposes of this Section, delivery shall be deemed to have occurred when a Mortgage File or Collateral File is released by the shipper to Purchaser or the New Servicer, as applicable. Upon such release of a Collateral File or Mortgage File by a delivery service, Purchaser shall bear the risk of loss of such Collateral File or Mortgage File. In the event that any collateral file or mortgage file for a mortgage loan that is not paid for in accordance with, and conveyed to Purchaser pursuant to, Section 2.01 is delivered to Purchaser or the New Servicer, Purchaser shall return such files to HUD immediately upon discovery of, or a request by HUD for, the same.

2.05 Books and Records.

Purchaser shall maintain a complete set of books and records for each Mortgage Loan reflecting the ownership of each Mortgage Loan by Purchaser.

2.06 Notes and Mortgages.

The original Note, if available, shall be delivered to Purchaser as part of the Collateral File. The original Note will subsequently be endorsed "Pay to the order of [Purchaser Name], without recourse" and signed by facsimile or manual signature by HUD. If the original Note is not available, a lost note affidavit or bailee letter (if applicable) and assignment shall be executed and delivered to the Purchaser (along with a copy of the Note, if available) by HUD. For Mortgage Loans not registered in MERS, HUD also shall deliver to Purchaser as part of the Collateral File an Assignment of Mortgage setting forth the assignment of the Mortgage to HUD and an Assignment of Mortgage setting forth the assignment of the Mortgage by HUD to Purchaser.

For Mortgage Loans not registered in MERS, Purchaser (at its expense) shall deliver or shall cause to be delivered both such Assignments of Mortgage for recordation, in the proper order, within thirty (30) Business Days after receipt by Purchaser from HUD. Purchaser shall (or shall cause the New Servicer to) review the Collateral File immediately upon delivery and, within sixty (60) calendar days after receipt of the Collateral File by Purchaser, notify HUD in writing of any documents missing there from and any endorsements missing from the Note (including endorsements required to reflect transfers occurring prior to the transfer to HUD). If Purchaser fails to identify and provide notice to HUD of any deficiencies in the Collateral File in accordance with the preceding sentence, Purchaser shall be deemed to have waived any rights it may have against HUD for such deficiencies (including any rights it may have had under Section 3.05).

For each Associated PPC Loan, if so requested by HUD, Purchaser (at its expense) shall deliver or shall cause to be delivered to HUD an Assignments of Mortgage for execution by HUD. Purchaser (at its expense) shall also deliver or shall cause to be delivered such Assignments of Mortgage for recordation, in the proper order, within thirty (30) Business Days after receipt by Purchaser from HUD.

2.07 Tax Reporting.

Purchaser shall prepare or shall cause the New Servicer to prepare a report to the Internal Revenue Service and provide to Borrowers, all in accordance with applicable law, rules and regulations, any and all tax information required to be provided with respect to the Mortgage Loans for any period on or after the Servicing Transfer Date. Purchaser shall not be obligated hereunder, nor shall it be obligated to cause New Servicer, to prepare, provide to Borrowers or report to the Internal Revenue Service such tax information for any period prior to the Servicing Transfer Date.

2.08 Interim Servicing by the Prior Servicer.

Purchaser hereby grants to the Prior Servicer, full power and authority to service, administer and collect the Mortgage Loans during the period from the Claim Date through the Servicing Transfer Date (the “Post-Claim Servicing Period”).

During the Post Claim Servicing Period, the Prior Servicer: (i) will remit to the Purchaser all principal and interest received net of any advances, (ii) will send invoices to Borrower until the Servicing Transfer Date, (iii) may pay real estate tax bills, (iv) may seek extensions of time or continuances in connection with foreclosures and bankruptcies, and (v) in conjunction with Purchasers, will send the Mortgagor Notification advising the Borrowers of the change of servicers. The Servicing Transfer Date must occur within sixty (60) calendar days from the Second Settlement Date. Exhibit F to this Agreement provides the Interim Servicing Agreement between the Purchaser and the Prior Servicer for the Post Claim Servicing Period.

2.09 Post-Sale Requirements.

(a) **Post-Sale Reporting.** Purchaser or its Affiliate(s) shall provide summary reporting to HUD on the current status of the sale portfolio semi-annually in the format provided in Exhibit B-1 (the “Post-Sale Report”) at the address provided for notices in Section 4.05. The initial reporting period begins on the Second Settlement Date and ends on the last day of the sixth calendar month following the Second Settlement Date. Thereafter the reporting periods begins on the first day of the calendar month following the end of the prior reporting period and end on the last day of the sixth calendar month following the prior reporting period. The post sale reporting requirement expires the earlier of (a) the last reporting date after the sale portfolio has been liquidated; or (b) in the third year, after a total of six (6) Post Sale Reports have been delivered. The Post-Sale Reports are due by the twentieth (20th) Business Day of the month following the end of the applicable reporting period.

(b) **Post-Sale Servicing.** The Mortgage Loans must be serviced by a servicer that is (i) either an FHA-approved mortgagee or a Fannie Mae or Freddie Mac approved servicer; and, (ii) in good standing with and rated average or above by the applicable Agencies. Purchaser shall provide a self-certification regarding compliance with this provision in the format provided in Exhibit B-1 with each Post-Sale Report.

The Purchaser(s) shall be required to avoid finalizing any foreclosure action for six months from the applicable Settlement Date for each Mortgage Loan that is owner occupied unless there are extenuating circumstances. For loans where a foreclosure is completed prior to the end of the six- month period, the Purchaser shall report on reason(s) for the foreclosure as part of the Post-Sale Reporting Requirements set forth in Exhibit B-1 with the initial Post-Sale Report. Purchaser shall provide a self-certification regarding compliance with this provision in the format provided in Exhibit B-3 with the initial Post Sale Report.

- (c) **Post-Settlement Meeting.** Within forty-five (45) calendar days after the Second Settlement Date, representatives of Purchaser and HUD shall conduct a post settlement meeting to discuss various aspects of the SFLS 2012-3 transaction. The meeting may be held in person or via conference call.

ARTICLE III REPRESENTATIONS AND WARRANTIES; REPURCHASES

3.01 Reserved

3.02 Representations and Warranties of Purchaser.

Purchaser represents and warrants to HUD as of the Effective Date and such other dates as are set forth below as follows:

(a) **Organization; Good Standing; Licenses; Net Worth.** Purchaser:

- (i) is a [_____] duly organized, validly existing and in good standing under the laws of the State of [_____];
- (ii) has qualified or will qualify to do business as a foreign corporation and, on each Settlement Date, will remain so qualified, and on each Settlement Date, will remain in good standing, in each jurisdiction where the character of its properties or the Mortgage Loans or the nature of its activities makes such qualification necessary and in which failure to so qualify would have a material adverse effect upon Purchaser or its ability to perform its obligations hereunder,
- (iii) has and, on each Settlement Date, will have full power to own its property, to carry on its business as presently and, on each Settlement Date, then conducted, and to enter into and perform its obligations under this Agreement,
- (iv) has and, on each Settlement Date, will have all licenses or other governmental approvals necessary to perform its obligations hereunder;

provided, however, that, to the extent failure to have any such license or approval on the date hereof or on any Settlement Date does not materially interfere with the performance by Purchaser of its obligations hereunder, failure to have any such license or approval shall not be a breach of the representation and warranty set forth in this clause (iv) if Purchaser uses reasonable efforts to obtain such license or approval; and

- (v) has and, on each Settlement Date, will have a net worth calculated in accordance with generally accepted accounting principles of not less than \$5,000,000.

- (b) **Authorization; No Violation.** The execution and delivery by Purchaser of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary action. Neither the execution and delivery of this Agreement, nor the consummation of the transactions herein contemplated, nor compliance with the provisions hereof, will conflict with or result in a breach of, or constitute a default under, (i) any of the provisions of any law, governmental rule, regulation, judgment, decree, agreement, settlement, or order binding on Purchaser or its properties, (ii) the constituent documents of Purchaser, or (iii) any of the provisions of any indenture, mortgage, contract or other instrument to which Purchaser is a party or by which it is bound or result in the creation or imposition of any lien, charge or encumbrance upon any of its property pursuant to the terms of any such indenture, mortgage, contract or other instrument.
- (c) **Governmental Approvals.** All actions, approvals, consents, waivers, exemptions, variances, franchises, orders, permits, authorizations, rights and licenses required to be taken, given or obtained, as the case may be, by or from any federal, state or other governmental authority or agency (other than any such actions, approvals, etc. under any state securities laws, real estate syndication or “Blue Sky” statutes, as to which Purchaser makes no such representation or warranty), that are necessary in connection with the execution and delivery by Purchaser of this Agreement and the consummation of the transactions contemplated hereby and the performance of its obligations hereunder, have been duly taken, given or obtained, as the case may be, are in full force and effect, are not subject to any pending proceedings or appeals (administrative, judicial or otherwise) and either the time within which any appeal there from may be taken or review thereof may be obtained has expired or no review thereof may be obtained or appeal there from taken.
- (d) **Binding Agreement.** This Agreement has been duly executed and delivered by Purchaser and, assuming due authorization, execution and delivery by the other Parties hereto, constitutes a valid and binding obligation of Purchaser enforceable against Purchaser in accordance with its terms (except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the enforcement of the rights of creditors generally and the application of equitable principles in any proceeding, whether at law or in equity).

- (e) **No Litigation.** There is no action, suit, proceeding or investigation pending or, to the best of Purchaser's knowledge, threatened against Purchaser before any court, administrative agency, arbitrator or governmental body which (i) relates to any of the transactions contemplated by this Agreement, or (ii) either in any one instance or in the aggregate, if determined against Purchaser, would reasonably be likely (A) to draw into question the validity of this Agreement or of any action taken or to be taken in connection with the obligations of Purchaser contemplated herein, (B) to materially and adversely affect Purchaser's business, assets, operations or condition (financial or otherwise), or (C) to materially and adversely affect the ability of Purchaser to perform its obligations under this Agreement.
- (f) **No Violation of Orders, Decrees, etc.** Purchaser is not in default with respect to any order or decree of any court or any order, rule, regulation, agreement, settlement or demand of any federal, state, municipal or governmental agency, which default might have consequences that would reasonably be likely to materially and adversely affect Purchaser's performance under this Agreement or the transactions contemplated hereby.
- (g) **Third Party Consents.** No consents, approvals, waivers or notifications of stockholders, creditors, lessors or other nongovernmental persons are required to be obtained by Purchaser in connection with the execution and delivery of this Agreement and the consummation of all the transactions herein contemplated.
- (h) **No Finder's Fee or Brokerage Commission.** All negotiations relative to this Agreement and the transactions contemplated hereby have been carried on by Purchaser or its Affiliates directly with HUD or Affiliates thereof and without the intervention of any Person who, as a result of any act of Purchaser or its Affiliates, has or will have a valid claim against HUD or any of its respective Affiliates for a finder's fee, brokerage commission or other like payment with respect to this Agreement or such transactions.

3.03 **Representations and Warranties of HUD as to HUD.**

HUD represents and warrants to Purchaser as of the Effective Date as follows:

- (a) **Organization; Good Standing; Licenses.** HUD is the Secretary of the United States Department of Housing and Urban Development and has and will have full power to enter into and perform its obligations under this Agreement.
- (b) **Authorization; No Violation.** The execution and delivery by HUD of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary action. Neither the execution and delivery of this Agreement, nor the consummation of the transactions herein contemplated, nor compliance with the provisions hereof, will conflict with or result in a breach of, or constitute a default under, (i) any of the provisions of any law, governmental rule, regulation, judgment, decree or order binding on HUD or its properties, or (ii) any of the provisions of any contract or other instrument to which

HUD is a party or by which it is bound or result in the creation or imposition of any lien, charge or encumbrance upon any of the Mortgage Loans.

- (c) **Governmental Approvals.** All actions, approvals, consents, waivers, exemptions, variances, franchises, orders, permits, authorizations, rights and licenses required to be taken, given or obtained, as the case may be, by or from any federal, state or other governmental authority or agency (other than any such actions, approvals, etc. under any state securities laws, real estate syndication or “Blue Sky” statutes, as to which HUD makes no such representation or warranty), that are necessary in connection with the execution and delivery by HUD of this Agreement and the consummation of the transactions contemplated hereby and the performance of its obligations hereunder, have been duly taken, given or obtained, as the case may be, are in full force and effect, are not subject to any pending proceedings or appeals (administrative, judicial or otherwise) and either the time within which any appeal there from may be taken or review thereof may be obtained has expired or no review thereof may be obtained or appeal there from taken.
- (d) **Binding Agreement.** This Agreement has been duly executed and delivered by HUD and, assuming due authorization, execution and delivery by the other Party hereto, constitutes a valid and binding obligation of HUD enforceable against HUD in accordance with its terms (except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the enforcement of the rights of creditors generally and the application of equitable principles in any proceeding, whether at law or in equity).
- (e) **No Litigation.** There is no action, suit, proceeding or investigation pending or, to the best of HUD’s knowledge, threatened against HUD before any court, administrative agency, arbitrator or governmental body which (i) relates to any of the transactions contemplated by this Agreement, or (ii) either in any one instance or in the aggregate, if determined against HUD, would reasonably be likely (A) to draw into question the validity of this Agreement or of any action taken or to be taken in connection with the obligations of HUD contemplated herein, (B) to materially and adversely affect HUD’s business, assets, operations or condition (financial or otherwise), or (C) to materially and adversely affect the ability of HUD to perform its obligations under this Agreement.
- (f) **No Violation of Orders, Decrees, etc.** HUD is not in default with respect to any order or decree of any court or any order, rule, regulation or demand of any federal, state, municipal or governmental agency, which default might have consequences that would reasonably be likely to materially and adversely affect HUD’s performance under this Agreement or the transactions contemplated hereby.
- (g) **Third Party Consents.** No consents, approvals, waivers or notifications of stockholders, creditors, lessors or other nongovernmental persons are required to be obtained by HUD in connection with the execution and delivery of this Agreement and the consummation of all the transactions herein contemplated.

(h) No Finder's Fee or Brokerage Commission. All negotiations relative to this Agreement and the transactions contemplated hereby have been carried on by HUD or its Affiliates directly with Purchaser or Affiliates thereof and without the intervention of any Person who, as a result of any act of HUD or its Affiliates, has or will have a valid claim against Purchaser or any of its respective Affiliates for a finder's fee, brokerage commission or other like payment with respect to this Agreement or such transactions.

3.04 Representations as to Individual Mortgage Loans.

HUD represents and warrants to Purchaser with respect to each Mortgage Loan, as of the Claim Date for such Mortgage Loan and on such other dates as are expressly set forth herein, the following:

- (a) Eligible Mortgage Loans.** Each Mortgage Loan is an Eligible Mortgage Loan.
- (b) Lost Instrument Affidavits.** In the event any Collateral File contains a lost instrument affidavit in lieu of a Note, such lost instrument affidavit, and accompanying assignment, will be sufficient to effect the transfer of title to the related Mortgage Loan, without the need for a judicial proceeding, administrative action, court or regulatory order, or similar action or order.
- (c) No Rescission, Set-off.** The Mortgage Loan is not subject to any right of rescission, set-off, counterclaim or defense, including the defense of usury, nor will the operation of any of the terms of the Note or the Mortgage, or the exercise of any right thereunder, render either the Note or the Mortgage unenforceable in whole or in part, or subject to any right of rescission, set-off, counterclaim or defense, including the defense of usury, and no right of rescission, set-off, counterclaim or defense has been asserted with respect thereto.
- (d) No Mechanics' Liens.** There is no mechanics' lien or claim for work, labor or material affecting any Mortgaged Property, which is or may be a lien prior to, or equal with, the lien of the Mortgage except those, which are insured against by the title insurance policy referred to in Section 3.04(f).
- (e) Compliance with Law.** Each Mortgage Loan, at the time it was originated, complied in all material respects with applicable local, state and federal laws, rules and regulations, including usury, equal credit opportunity and disclosure laws and, since that time, has been serviced in compliance in all material respects with applicable local, state and federal laws, rules and regulations.
- (f) Title Policy.** With respect to each Mortgage Loan, a lender's title insurance policy, issued in standard American Land Title Association long or short form or, if the jurisdiction does not accept the standard American Land Title Association form, such other form as is generally acceptable to prudent lending institutions that originate or purchase mortgage loans similar to the Mortgage Loan in that particular jurisdiction, by a title insurance company authorized to transact business in the jurisdiction in which the related Mortgaged Property is situated, together with a condominium

endorsement, if applicable, in an amount at least equal to the original principal balance of such Mortgage Loan, insuring HUD's interest under the related Mortgage Loan as the holder of a valid first priority mortgage lien of record on the real property described in the Mortgage, subject only to exceptions for (i) liens for real property taxes and assessments not yet due and payable or liens for taxes and assessments which, as of the Claim Date, have been paid, (ii) covenants, conditions and restrictions, rights of way, easements and other matters of public record as of the date of recording of the Mortgage which are acceptable to mortgage lending institutions generally and specifically reflected in the appraisal made in connection with the origination of the Mortgage Loan, and (iii) other matters to which like properties are commonly subject which do not, individually or in the aggregate, materially interfere with the benefits of the security intended to be provided by the Mortgage, was effective on any date on or prior to the Claim Date, and, as of the Claim Date, such policy will be valid and thereafter shall continue in full force and effect. With respect to each Mortgage Loan, the holder is the sole named insured of such mortgage title insurance policy, and such mortgage title insurance policy is in full force and effect and will be in full force and effect and inure to the benefit of Purchaser (and any subsequent mortgagee) upon the consummation of the transactions contemplated by this Agreement. No claims have been made under such mortgage title insurance policy and no prior holder of the related Mortgage, including HUD, has done, by act or omission, anything that would impair the coverage of such mortgage title insurance policy.

(g) **Hazard Insurance.** With respect to the Mortgage Loans, either (i) the improvements upon a Mortgaged Property are covered by a valid and existing fire and hazard insurance policy with a generally acceptable carrier that provides for extended coverage customary in the area where the Mortgaged Property is located, that is endorsed with a standard mortgagee clause with losses payable to HUD, and in an amount that is at least equal to the lesser of (A) the Unpaid Principal Balance, (B) the full insurable value of the Mortgaged Property, or (C) the minimum amount required to compensate for damage or loss on a replacement cost basis, or (ii) the Prior Servicer maintains a blanket policy, insuring against fire and hazards that provides for extended coverage, on the Mortgage Loans for which no insurance of the type described in clause (i) exists, naming HUD as loss payee and providing for coverage in an amount equal to the aggregate Unpaid Principal Balance of all such Mortgage Loans, without co-insurance.

(h) **Flood Insurance.** For each Mortgage Loan with respect to which the Mortgaged Property is located in an area identified on a Flood Hazard Boundary Map or Flood Insurance Rate Map issued by the Federal Emergency Management Agency as having special flood hazards and flood insurance has been made available, a flood insurance policy meeting the current guidelines of the Federal Insurance Administration with a generally acceptable carrier in an amount representing coverage of not less than the lesser of (i) the Unpaid Principal Balance, or (ii) the maximum amount of insurance which is available under applicable federal law, rules and regulations.

- (i) **Binding Mortgages and Notes.** Each Mortgage and Note is the legal, valid and binding obligation of the maker thereof and is enforceable in accordance with its terms, except only as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (whether considered in a proceeding or action in equity or at law). All parties to each Mortgage Loan had full legal capacity to execute all Mortgage Loan documents (including the Notes and Mortgages) and convey the estate therein purported to be conveyed, and all Mortgage Loan documents (including the Notes and Mortgages) have been duly and properly executed by such parties.
- (j) **Modifications; Mortgages Recorded.** The terms of the Note and the Mortgage have not been impaired, altered or modified in any material respect, except by a written instrument which has been recorded, if required, or is in the process of being recorded (and, in either case, contained in the Collateral File), if necessary, to protect the interest of Purchaser and which has been or will be delivered to Purchaser. Each original Mortgage was recorded, and all subsequent assignments of the original Mortgage have been recorded in the appropriate jurisdictions wherein such recordation is necessary to perfect the lien thereof as against creditors of HUD (or, are in the process of being recorded, or are, in the opinion of counsel which has been provided to HUD and on which HUD is entitled expressly therein to rely, not required to be recorded).
- (k) **No Releases.** No instrument of release or waiver has been executed in connection with the Mortgage Loan, and no Borrower has been released, in whole or in part.
- (l) **No Condemnation.** The Mortgaged Property is not subject to a condemnation order, and there is no proceeding pending or threatened for the total or partial condemnation of the Mortgaged Property.
- (m) **Improvements; No Encroachments.** To the best of HUD's actual knowledge, all of the improvements which were included for the purpose of determining the appraised value of the Mortgaged Property lie wholly within the boundaries and building restriction lines of such property, and no improvements on adjoining properties encroach upon the Mortgaged Property.
- (n) **No Zoning Violation.** To the best of HUD's knowledge, no improvement located on or being part of the Mortgaged Property is in violation of any applicable zoning law, rule or regulation. To the best of HUD's knowledge, all inspections, licenses and certificates required to be made or issued with respect to all occupied portions of the Mortgaged Property and, with respect to the use and occupancy of the same, including certificates of occupancy and fire underwriting certificates, have been made or obtained from the appropriate authorities and the Mortgaged Property is or, if vacant, may be lawfully occupied under applicable law.
- (o) **Proceeds Disbursed.** The proceeds of the Mortgage Loan have been fully disbursed, and pursuant to the terms and conditions thereof as of the Claim Date there is no

obligation on the part of HUD, nor will there be any obligation on the part of the Purchaser (or any other mortgagee), to make future advances thereunder, at the option of the Borrower or otherwise. Any and all requirements as to completion of any on-site or off-site improvements and as to disbursements of any escrow funds therefore have been complied with. All costs, fees and expenses incurred in making or closing or recording the Mortgage Loans were paid.

- (p) **No Security Except Mortgage.** The related Note is not and has not been secured by any collateral, pledged account or other security except the lien of the corresponding Mortgage.
- (q) **No Third Party Obligors.** There is no obligation on the part of HUD or any other party to make payments in addition to those made by the Borrower.
- (r) **Qualified Trustees.** With respect to each Mortgage constituting a deed of trust, a trustee, duly qualified under applicable law to serve as such, has been properly designated and currently so serves and is named in such Mortgage, and no fees or expenses are or will become payable by Purchaser (or any other mortgagee) to the trustee under the deed of trust, except in connection with a trustee's sale after default by the Borrower.
- (s) **Certain Loan Types.** No Mortgage Loan has a shared appreciation feature, or other contingent interest feature, provides for deferred interest or negative amortization. None of the Mortgaged Property is subject to a land trust.
- (t) **Due on Sale.** The Mortgage contains a customary provision for the acceleration of the payment of the unpaid principal balance of the Mortgage Loan in the event the related Mortgaged Property is sold without the prior consent of the mortgagee thereunder.
- (u) **Single Rate of Interest, Repayment Term.** The entire Unpaid Principal Balance bears a single interest rate (whether fixed or adjustable), as reflected on the Note, and a single repayment term, as is reflected on Schedule I hereto. The interest rate of each Mortgage Loan, as of the Claim Date, is accurately reflected on Schedule I hereto.
- (v) **Benefits of Security.** The related Mortgage contains customary and enforceable provisions which render the rights and remedies of the holder thereof adequate for the realization against the Mortgaged Property of the benefits of the security, including, (i) in the case of a Mortgage designated as a deed of trust, by trustee's sale, and (ii) otherwise by judicial foreclosure. There is no homestead or other exemption available to the Borrower, which would materially interfere with the right to sell the Mortgaged Property at a trustee's sale or the right to foreclose the Mortgage.
- (w) **No Hazardous Substances.** HUD has no actual knowledge that there exist, with respect to any Mortgaged Property, any hazardous substances, hazardous wastes or solid wastes, as such terms are defined in CERCLA, or other federal, state or local environmental legislation.

- (x) **First Lien Mortgage.** Each Mortgage is a valid and subsisting first lien of record on the Mortgaged Property subject to (1) the exceptions to title set forth in the title insurance policy, with respect to the related Mortgage Loan, which exceptions are generally acceptable to first mortgage lending companies, and (2) such other exceptions to which similar properties are commonly subject and which do not individually, or in the aggregate, materially and adversely affect the benefits of the security intended to be provided by such Mortgage.
- (y) **Unpaid Principal Balance.** The Unpaid Principal Balance of the Mortgage Loan as of the Claim Date, as set forth on Schedule I hereto, is true, accurate and correct.
- (z) **Ground Leases.** If a Mortgaged Property is subject to a ground lease, the terms of the ground lease and the rights of the mortgagee and the obligations of the lessor (whether such rights and obligations arise by contract or under law, rule or regulation) comply in all respects, as of the Claim Date, with the applicable provisions of HUD's Handbook 4150.1. Without limiting the generality of the foregoing, with respect to each such ground lease, (i) the mortgagee is entitled to notice of each lessee default and is allowed at least 120 calendar days in which to cure any such default before the lessor may terminate such ground lease; (ii) the ground lease is in full force and effect; and (iii) either (A) HUD has not received any notice of a default thereunder and, to HUD's knowledge, there exists no condition that, but for the passage of time or the giving of notice or both, would result in a default thereunder or, (B) if HUD has received notice of any default thereunder, such default has been cured.
- (aa) **Title; No Liens.** Upon assignment of a Mortgage Loan to Purchaser, Purchaser will have good title to such Mortgage Loan, free and clear of all Liens.
- (bb) **Reserved.**

3.05 Repurchases; Cure and Purchase Price Reductions.

- (a) **Breach of Section 3.04.** Within the ten (10) month period after the Servicing Transfer Date, Purchaser or the New Servicer shall conduct an affirmative investigation as to whether there is a breach of any of HUD's representations and warranties contained in Section 3.04. All breaches of Sections 3.04 (excluding Section 3.04(m), 3.04(n) and 3.04(w)) will be determined without reference to HUD's knowledge. Notwithstanding any qualification in the representation or warranty with regard to HUD's knowledge, the remedies available under this section for breach shall also be available upon the development of a condition or occurrence of any event described in Section 3.04(m), 3.04(n) and 3.04(w)) (hereinafter included in the term "breach"). Upon discovery by Purchaser or the New Servicer with respect to any Mortgage Loan of a breach of any of the representations or warranties in Section 3.04, provided the Mortgage Loan has not been modified on or after the Claim Date, Purchaser or New Servicer shall give prompt written notice to HUD and identify, in such notice, in reasonable detail, the nature of the breach (including the

representations or warranties breached) and, include with such notice, documentation evidencing or supporting the alleged breach. Such notice shall also include the information required by Item 1 on Exhibit D. No breach shall be asserted regarding any typographical errors unless Purchaser demonstrates that such typographical error will have a material and adverse impact on the value of the Mortgage Loan or the benefits of the security intended to be provided by the Mortgaged Property for the Mortgage Loan.

Within seventy-five (75) calendar days of its receipt of notice of any such breach, HUD shall notify Purchaser that HUD either has accepted the notice as to a Mortgage Loan or does not accept the notice as giving sufficient evidence of the asserted breach. If HUD accepts the notice as to a Mortgage Loan, HUD shall, as set forth in detail below, (x) cure such breach in all material respects, or (y) repurchase such Mortgage Loan. HUD shall have sole and absolute discretion to make the final determination as to whether a breach is curable.

- (i) If HUD elects to cure a breach in all material respects, it shall advise Purchaser in writing of that fact as well as the cure it intends to implement and, upon implementation of such cure, deliver to Purchaser documentation effecting or evidencing such cure.
 - (ii) If HUD elects to repurchase such Mortgage Loan, HUD shall pay Purchaser the Repurchase Price.
 - (iii) In the event of a repurchase, on or prior to the Initial Repurchase Date, the information required by Item 2 of Exhibit D shall be delivered to HUD.
- (b) **Purchaser Representations Regarding Repurchased Mortgage Loans.** Upon the repurchase by HUD of a Mortgage Loan hereunder, as of the date of such repurchase, Purchaser hereby makes the following representations and warranties with respect to such Mortgage Loan:
- (i) the terms of the Mortgage Loan were not modified on or after the Claim Date by (or on behalf of) Purchaser;
 - (ii) the Purchaser has title to, and the right to sell, transfer and assign to HUD, the Mortgage Loan and, immediately prior to its repurchase, the Mortgage Loan will not be subject to any Liens placed by (or on behalf of) HUD or Purchaser;
 - (iii) on and after the Claim Date, Purchaser (and any subservicers) employed usual and customary care in the servicing, administration and collection of the Mortgage Loan and the maintenance and preservation of the related Mortgaged Property;
 - (iv) no instrument of release or waiver was executed in connection with the Mortgage Loan and the Borrower was not released, in whole or in part, on or after the Claim Date by (or on behalf of) Purchaser;

- (v) no act or omission on or after the Claim Date by (or on behalf of) Purchaser has caused (A) the priority of title to the Mortgaged Property or the Lien of the Mortgage to be less than that conveyed to Purchaser by HUD, or (B) except to the extent applied for its intended purpose or otherwise expended on the Mortgaged Property in a commercially reasonable manner, the Mortgaged Property securing the Mortgage Loan to be different from that securing the Mortgage Loan on the Claim Date;
 - (vi) no act or omission on or after the Claim Date by (or on behalf of) Purchaser has caused a Claim of any Person to arise against Purchaser (or any subservicer) that, as a result of the repurchase pursuant to this Agreement, might be asserted against HUD;
 - (vii) the contents of the Collateral File and Mortgage File, when returned to HUD, will include the contents delivered by HUD to Purchaser (in the case of the Collateral File) and the contents delivered by the Prior Servicer to the New Servicer (in the case of the Mortgage File) pursuant to Section 2.04 and such other documentation as has been generated on or after the Claim Date by (or on behalf of) Purchaser to evidence activity with respect to the Mortgage Loan on and after the Claim Date, except to the extent that items missing from the Collateral File do not materially and adversely affect the ability of HUD to enforce the Mortgage Loan, and except to the extent that items missing from the Mortgage File do not materially and adversely affect the ability of HUD to service the Mortgage Loan;
 - (viii) the title policy referred to in Section 3.04(f), if in effect on the Claim Date and transferred to Purchaser on the Servicing Transfer Date, remains in effect or has been replaced with a comparable policy; and
 - (ix) the insurance policies referred to in Sections 3.04(g) and (h), if in effect on the Claim Date and transferred to Purchaser on the Servicing Transfer Date, remain in effect or have been replaced with comparable policies.
- (c) **Breach of Section 3.05(b)**. HUD may allege a breach of a representation or warranty in Section 3.05(b) only if the breach materially and adversely affects the value of the related Mortgage Loan and may demand that Purchaser repurchase the Mortgage Loan only if the breach is not curable by Purchaser. HUD shall have sole and absolute discretion to make the final determination as to whether a breach is curable. If a breach is curable, HUD shall notify Purchaser in writing of the same and the necessary cure and, subject to the provisions of the next succeeding sentence, Purchaser shall cure such breach and pay the expenses of the same. To the extent that an alleged breach is curable by the payment of money and the amount of such payment, had it been made by Purchaser prior to the Initial Repurchase Date, would have been includable (but was not included) as an advance when calculating the Repurchase Price, such amount shall be paid by HUD (without reimbursement from Purchaser).

Subject to the foregoing, in the event there exists a breach of any of the representations or warranties in Section 3.05(b) with respect to and that materially and adversely affects a Mortgage Loan, and such breach is not curable, HUD shall not be required to repurchase such Mortgage Loan but shall cooperate with Purchaser and use commercially reasonable efforts to cure the breach that led to the initial demand that HUD repurchase such Mortgage Loan and, if such breach is not curable, at HUD's sole and absolute discretion, HUD and Purchaser shall negotiate in good faith to reach agreement on an appropriate reduction in the Sales Price, taking into consideration both the breach of Section 3.05(b) and the breach of Section 3.04. Any Mortgage Loan repurchased by Purchaser pursuant to this Section shall be repurchased for an amount equal to the Reverse Repurchase Price and, the date on which payment of the Reverse Purchase Price is made shall be the Reverse Repurchase Date.

(d) Exclusive Remedies. The right of Purchaser to request a cure or a repurchase, and HUD's discretion to cure, repurchase or (in the case of a Mortgage Loan subject to Section 3.05(c)) accept a Sales Price Reduction for a Mortgage Loan with respect to which there exists a breach of a representation or warranty contained in Section 3.04, as provided in Section 3.05(a), constitute the sole and exclusive remedies of Purchaser for a breach of HUD's representations and warranties contained in Section 3.04. The right of HUD to refuse to repurchase a Mortgage Loan, as set forth in Section 3.05(c), and the obligation of Purchaser to pay the expense of curing or, if applicable, to negotiate in good faith to agree on a Sales Price Reduction as set forth in Section 3.05(c), with respect to any such Mortgage Loan are the sole and exclusive remedies of HUD and the sole and exclusive obligations of Purchaser in the event there exists a breach of Section 3.05(b).

3.06 Expiration of Representations and Warranties.

Except with respect to any breach of Section 3.04(f) or Section 3.04(x) or as otherwise provided in this Agreement, notice of a breach of a representation or warranty made by HUD in Section 3.04 with respect to a Mortgage Loan must be made, in writing and delivered to HUD, within ten (10) months after the Servicing Transfer Date for such Mortgage Loan. In the event no notice is received alleging a breach of any of such representations or warranties with respect to a Mortgage Loan within such ten (10) month period, then the representations and warranties contained in Section 3.04 (other than in Section 3.04(f) or (x)), and the rights and remedies of Purchaser in Section 3.05, as they relate to such Mortgage Loan, shall expire and be of no further force or effect. Notice of a breach of a representation or warranty made by Purchaser in Section 3.05(b) with respect to a repurchased Mortgage Loan must be made, in writing and delivered to Purchaser, within three (3) months after the Initial Repurchase Date for such Mortgage Loan. In the event no notice is received alleging a breach of any of such representations or warranties with respect to a Mortgage Loan within such three (3)-month period, then the representations and warranties contained in Section 3.05(b), and the rights and remedies of HUD in Section 3.05(c), as they relate to such Mortgage Loan, shall expire and be of no further force or effect. The representations and warranties in Section 3.04(f) and 3.04(x) and all other representations and warranties made by the Parties in this

Agreement shall survive and shall not be subject to the foregoing limitations. Notwithstanding the foregoing or any other provision of this Agreement to the contrary, the representations and warranties in Section 3.04 with respect to a Mortgage Loan shall terminate upon the modification of the Mortgage Loan by or on behalf of Purchaser or the release and/or satisfaction of all or part of the Mortgage Loan or security.

3.07 Interpretation of Representations.

All determinations as to the existence of a breach of a representation or warranty shall be made without reference to any qualification as to the maker's knowledge, it being understood that all such qualifications are made in the interest of full and fair disclosure and to preclude any claim of fraud or misrepresentation, but are not intended to limit the remedies available for a breach of this Agreement.

**ARTICLE IV
MISCELLANEOUS PROVISIONS**

4.01 Amendment.

This Agreement may not be amended except by an instrument in writing signed on behalf of each Party.

4.02 Counterparts.

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall be considered one and the same instrument.

4.03 Entire Agreement.

This Agreement (including all exhibits and schedules hereto) contains the entire agreement between the Parties, and supersedes all prior oral and written negotiations, agreements, arrangements, representations, warranties and understandings, relating to the subject matter hereof.

4.04 Rights Cumulative; Waiver.

Except as otherwise expressly provided herein, the rights and remedies of each of the Parties under this Agreement are cumulative, may be exercised as often as any Party considers appropriate and are in addition to each such Party's rights under law. The Parties may not waive or vary any right hereunder except by an express written waiver or variation. Any failure to exercise or any delay in exercising any of such rights, or any partial or defective exercise of such rights, shall not operate as a waiver or variation of that or any other such right.

4.05 Notices.

All notices and other communications under this Agreement shall be in writing and delivered by hand delivery, by overnight courier, by United States Express Mail, or by registered or certified mail (return receipt requested, postage prepaid), and shall be deemed to have been duly given when received in all cases addressed to the Parties at the following addresses (or at such other addresses as shall be specified by like notice):

If to HUD:

U.S. Department of Housing and Urban Development
451 7th Street, S.W., Room 3136
Washington, D.C. 20401
Attention: Asset Sales Office, SFLS 2012-2

and an electronic copy to: assetsales@hud.gov

If to the Purchaser:

[name]
[address]
Attention: SFLS 2012-2

4.06 Governing Law.

This Agreement shall be governed by and construed in accordance with federal law, including federal common law. In the event that no federal law exists on a particular point, this Agreement shall be governed by and construed in accordance with the laws of the State of New York (without regard to any conflict of laws rule or principle that might refer the governance or the construction of this Agreement to the law of any other jurisdiction).

4.07 Severability.

Should any provision of this Agreement or the application thereof for any reason be declared by a court of competent jurisdiction to be invalid, illegal or unenforceable, such provision shall be construed and enforced as if it had been more narrowly drawn so as not to be invalid, illegal or unenforceable, and the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

4.08 Successors and Assigns.

This Agreement shall be binding upon and inure to the benefit of the Parties and their respective permitted successors and permitted assigns. No Party may assign or otherwise transfer this Agreement (in whole or in part) or delegate its rights or duties hereunder except with the prior written consent of the other Party, and any attempted assignment, transfer or delegation in violation of this provision shall be void *ab initio*.

4.09 Waiver of Jury Trial.

PURCHASER HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, ARISING OUT OF OR RELATING TO OR IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED THEREBY.

4.10 Third Party Beneficiaries.

This Agreement is intended for the sole benefit of the Parties and their respective successors and permitted assigns, and there shall be no third party beneficiaries.

4.11 Further Assurances.

Each of the Parties shall act reasonably and in good faith in complying with its obligations under this Agreement.

4.12 Submission to Jurisdiction; Appointment of Agent for Service of Process.

Purchaser hereby irrevocably and unconditionally:

- (a) (i) agrees that any suit, action or proceeding against it arising out of or relating to or in connection with this Agreement may be instituted, and that any suit, action or proceeding by it against any other Party arising out of or relating to or in connection with this Agreement shall be instituted only, in the U.S. District Court for the District of Columbia or the U.S. Court of Claims (and appellate courts from either of the foregoing), as the Person instituting such suit, action or proceeding may elect in its sole discretion, (ii) consents and submits, for itself and its property, to the jurisdiction of such courts for the purpose of any such suit, action or proceeding instituted against it, and (iii) agrees that a final judgment in any such suit, action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law;
- (b) agrees that service of all writs, process and summonses in any suit, action or proceeding pursuant to Section 4.12(a) may be effected by the mailing of copies thereof by registered or certified mail, postage prepaid, to it at its address for notices pursuant to Section 4.05, such service to become effective 30 calendar days after such mailing, provided that nothing contained in this Section 4.12(b) shall affect the right of any Party to serve process in any other manner permitted by law; and
- (c) (i) waives any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to or in connection with this Agreement brought in any court specified in Section 4.12(a), (ii) waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum, and (iii) agrees not to plead or claim either of the foregoing.

4.13 Costs and Expenses.

The costs and expenses incurred by or on behalf of a Party in connection with the negotiation, execution or delivery of this Agreement or the sale, purchase, transfer or assignment to Purchaser of the Mortgage Loans shall be borne by the Party who incurs such costs or expenses. Purchaser shall bear the expense of (i) any transfer taxes, or transfer, recording or filing fees relating to the Mortgage Loans; (ii) title commitment or title insurance obtained by Purchaser; and (iii) costs incurred by Purchaser that relate to the transfer of the servicing to the Mortgage Loans to Purchaser.

4.14 Facsimile Signature.

This Agreement (and any amendments thereto), to the extent signed and delivered by means of a facsimile machine, shall be treated in all manner and respects as an original agreement and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of a Party to this Agreement, any other Party so executing and delivering this Agreement (or any amendment thereto) by means of a facsimile machine shall re-execute original forms thereof and deliver them to the requesting Party. No Party shall raise the use of a facsimile machine to deliver a signature or the fact that any signature or agreement was transmitted or communicated through the use of a facsimile machine as a defense to the formation or enforceability of a contract and each such Party forever waives any such defense.

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be duly executed by its duly authorized officer or agent as of the day and year first above written.

SECRETARY OF HOUSING AND URBAN DEVELOPMENT

By:
Name:
Title:

PURCHASER:

By:
Name:
Title:

EXHIBIT A

FORM OF ASSIGNMENT OF MORTGAGE

(For Mortgage Loans not registered in MERS)

Loan No. _____

After recording, please
return to:

This instrument
prepared by:

**ASSIGNMENT OF MORTGAGE AND
OTHER LOAN DOCUMENTS**

_____ whose address is
_____ (“Assignor”), and in consideration of Ten Dollars (\$10.00) and
other good and valuable consideration received by Assignor, hereby assigns, transfers, sets over
and conveys, effective as of _____, 20____, to _____ and
its successors and assigns, without recourse, the following:

1. that certain _____ dated _____, _____, and recorded [as
Instrument Number _____] [in Book/Volume/Liber/Register/Reel _____,
at Page/Folio _____], among the land records of _____ County,
_____, as amended or modified (the “Mortgage”), which
Mortgage secures that certain promissory note dated _____, _____ (the
“Note”); and
2. such other documents, agreements, instruments and other collateral that evidence,
secure or otherwise relate to Assignor’s right, title or interest in and to the Mortgage
and/or the Note, including without limitation the title insurance policies and hazard
insurance policies that might presently be in effect.

TO HAVE AND TO HOLD unto Assignee and its successors and assigns forever.

IN WITNESS WHEREOF, Assignor has caused this Assignment to be executed and delivered by its duly authorized officer as of the ____ day of _____, 20__.

WITNESS
By: _____
Name: _____
Title: _____

ACKNOWLEDGMENT

_____)
) , ss:
_____)

The foregoing instrument was acknowledged before me on _____, 20__ by _____, as _____ for _____, in the capacity noted in the foregoing instrument.

Notary Public
[SEAL]

My commission expires _____

EXHIBIT B-1
POST-SALE REPORTING REQUIREMENTS

For the period ending: _____

Report Date: _____

Purchaser Name: _____

Part I: For each Mortgage Loan, provide the following information as of the end of the applicable reporting period. For assets that have been disposed of, report the UPB at the time of disposition

SFLS 2012-3 Post-Sale Report

Table 1 Disposal of Program Assets

FHA Case Number	Status	Performance Category:*(Non-Performing, Re-Performing, In Foreclosure)	Modified (Y/N)	Types of Modification(s)**(Principal Write Down, Forbearance, Interest Rate Reduction, P&I Adjustment, etc.)	UPB

* Applicable to Whole Loan Sales only.

** Applicable to modified loans only. Please indicate the type(s) of modification(s) made to the loan, specific loan terms are not required.

Status Codes for Disposed Assets

Paid In Full (PIF)

Whole Loan Sale

Pre-Foreclosure Sale

Foreclosure Sale

Sale of Foreclosed REO

Sale of Deed-in-Lieu REO

Charge Off/Repurchase

Table 2 Active Loans

FHA Case Number	Status	Performance Category:*(Non-Performing, Re-Performing, In Foreclosure)	Modified (Y/N)	Types of Modification(s)**(Principal Write Down, Forbearance, Interest Rate Reduction, P&I Adjustment, etc.)	UPB

- * Applicable to loans in Active Servicing only.
- ** Applicable to modified loans only. Please indicate the type(s) of modification(s) made to the loan, specific loan terms are not required.

Status Codes for Active Loans

- Active Servicing
- Foreclosed REO
- Deed-in Lieu REO

Part II: For each Mortgage Loan that was foreclosed within six months of the applicable Settlement Date, report below on the reason for the foreclosure. Indicate if the loan was either: a) not owner occupied, or b) provide a summary explanation of the extenuating circumstance for the foreclosure action. Note that this requirement is only applicable to the initial reporting period.

FHA Case Number	Reason for Foreclosure

Exhibit B-2 Self-Certification Form Servicer Eligibility Provision

**SFLS 2012-3 Purchaser
Compliance Certification**

**U. S. Department of Housing
and Urban Development**

<p>This SFLS 2012-3 Purchaser Compliance Form will be used by Purchasers to self-certify the Purchaser's compliance with the post sale requirement that the Mortgage Loans purchased by the Purchaser must be serviced by a servicer that is (i) either an FHA-approved mortgagee or a Fannie Mae or Freddie Mac approved servicer; and, (ii) in good standing with and rated above average by the applicable Agencies. This requirement is set forth in Section 2.09(b) of the U.S. Department of Housing and Urban Development's SFLS 2012-3 Conveyance, Assignment and Assumption Agreement with Purchaser dated _____, 2012.</p>		
<p>1. Purchaser Information (Name, Address and ZIP Code)</p>	<p>2. Purchaser Contact Information (Name, Phone Number and e-mail Address)</p>	<p>3. Date of Submission</p>
<p>4. Servicer Name(s)</p>	<p>5. Basis for Servicer Eligibility (Check all that apply)</p> <p><input type="checkbox"/> FHA-approved mortgagee</p> <p><input type="checkbox"/> Fannie Mae approved servicer</p> <p><input type="checkbox"/> Freddie Mac approved servicer</p>	
<p>Certification: The undersigned hereby certifies to that: (a) to the best of his/her knowledge and belief that the information provided above is true and correct as of the report submission date; and (b) upon request of any authorized official of the Department of Housing and Urban Development the Purchaser will furnish or make available supporting documentation.</p>		
<p>Title of Certifying Official</p>	<p>Signature</p>	<p>Date</p>

Exhibit B-3 Self-Certification Form Foreclosure Avoidance Provision

**SFLS 2012-3 Purchaser
Compliance Certification**

**U. S. Department of Housing
and Urban Development**

<p>This SFLS 2012-3 Purchaser Compliance Form will be used by Purchasers to self-certify the Purchaser's compliance with the post sale requirement that for each Mortgage Loan that is occupied by the owner thereof, Purchaser shall avoid finalizing any foreclosure action for six months from the applicable Settlement Date unless there are extenuating circumstances. For loans where a foreclosure is completed prior to the end of the six-month period, the Purchaser shall report on reason(s) for the foreclosure with the initial Post Sale Report as part of the Post Sale Reporting Requirements set forth in Exhibit B-1 of the Conveyance, Assignment and Assumption Agreement. This requirement is set forth in Section 2.09(b) of the U.S. Department of Housing and Urban Development's SFLS 2012-3 Conveyance, Assignment and Assumption Agreement with Purchaser dated _____, 201__.</p>		
<p>1. Purchaser Information (Name, Address and ZIP Code)</p>	<p>2. Purchaser Contact Information (Name, Phone Number and e-mail Address)</p>	<p>3. Date of Submission</p>
<p>Certification: The undersigned hereby certifies to that: (a) to the best of his/her knowledge and belief that the information provided above is true and correct as of the report submission date; and (b) upon request of any authorized official of the Department of Housing and Urban Development the Purchaser will furnished or make available supporting documentation.</p>		
<p>Title of Certifying Official</p>	<p>Signature</p>	<p>Date</p>

EXHIBIT C

SCHEDULE I

FORM OF MORTGAGE LOAN SCHEDULE

Set forth below are the columns of information to be included in the Mortgage Loan Schedule (and all Supplements thereto) and the instructions relating thereto. The Mortgage Loan Schedule (and all Supplements thereto) shall be prepared, delivered and attached as Schedule I to this Agreement in accordance with Section 2.01 and the instructions set forth below. The columns of information shall be ordered as set forth below and the column indicator (i.e., Column A) included.

Column A	FHA Loan Number
Column B	Prior Servicer
Column C	Claim Date
Column D	Unpaid Principal Balance as of Claim Date
Column E	Revised Unpaid Principal Balance as of Claim Date
Column F	Bid Percentage
Column G	Sales Price
Column H	Settlement Date
Column I	Servicing Transfer Date
Column J	FHA Loan Number of Associated PPC Loan
Column K	Balance of Associated PPC Loan
Column L	Escrow Balance

INSTRUCTIONS

Column F: This is the Bid Percentage of the Mortgage Loan (carried to five (5) decimal places) bid by Purchaser on the Bid Form.

Column G: This is the Sales Price of the Mortgage Loan, which is an amount equal to the product of the applicable Bid Percentage and the Unpaid Principal Balance (expressed as a dollar amount).

EXHIBIT D

REPURCHASED ASSET INFORMATION REQUIREMENTS

1. The following dollar amounts must be included with any request that HUD repurchase an Asset:

Sales Price (amount paid for Mortgage Loan, as may have been revised)
Total amount collected by Purchaser with respect to the Asset
Escrow balance as of the Initial Repurchase Date
Advances made by Purchaser with respect to the Asset

2. A report in an Excel spreadsheet containing (for each repurchased Asset) the information set forth below (including the descriptive line items and related information) must be provided:

REQUIRED INFORMATION FIELDS

FHA Case Number
Borrower Name
Alternate Name
Property Address
Billing Address
Borrower SSN
Alternate SSN
Accrual Start Date
Unpaid Principal Balance
Original Mortgage Amount
Original Loan Date
Term of Loan (years/months)
Next Installment Due Date
Interest Rate
Loan Type (Fixed, ARM, GPM)
Loan Purpose (New Purchase, Refinance, etc.)
Maturity Date
Principal & Interest Constant
Monthly Real Estate Tax Constant
Tax Escrow Balance/Advance

Name of **First** Taxing Authority
Parcel Number
Frequency of Disbursements
Next Disbursement Date

Name of **Second** Taxing Authority
Parcel Number
Frequency of Disbursements
Next Disbursement Date

Name of **Third** Taxing Authority
Parcel Number
Frequency of Disbursements
Next Disbursement Date

OPTIONAL INFORMATION FIELDS

Borrower Home Telephone
Borrower Work Telephone

EXHIBIT E-1

FORM OF SETTLEMENT STATEMENT -- FIRST SETTLEMENT DATE

**SETTLEMENT STATEMENT
(First Settlement Date – SFLS 2012-3)**

Aggregate Sales Price:*	\$
(___ Initial Assets)	
<i>minus</i>	
Aggregate positive escrow and suspense balances:**	\$
<i>equals</i>	
Net Amount Due***:	\$

* Sales Price means, for each Mortgage Loan, an amount equal to the product of the applicable Bid Percentage and the Unpaid Principal Balance. Schedule I to the Agreement sets forth, among other things, the Sales Price, Bid Percentage, and the Unpaid Principal Balance for each Mortgage Loan. The Aggregate Sales Price means an amount equal to sum of the individual Sales Prices. .

** Detail on attached. See Escrow Amount.

*** The Net Amount Due is equal to the Settlement Date Payment.

Initially capitalized terms used and not defined herein have the meanings given in the Conveyance, Assignment and Assumption Agreement dated _____, 20__ (“Agreement”), between the Secretary of the Department of Housing and Urban Development (“HUD”) and _____ (“Purchaser”).

Amounts to be remitted to HUD to be sent to the following account:

[HUD wire instructions]

ACKNOWLEDGED AND AGREED as of _____, 2012.

SECRETARY OF HOUSING AND URBAN DEVELOPMENT

By:
Name:
Title:

PURCHASER:
By:
Name:
Title:

EXHIBIT E-2

FORM OF SETTLEMENT STATEMENT– SECOND SETTLEMENT DATE

**SETTLEMENT STATEMENT
(Second Settlement Date – SFLS 2012-3)**

Aggregate Sales Price:*	\$
(___Additional Assets)	
<i>minus</i>	
Aggregate positive escrow and suspense balances:**	\$
<i>minus</i>	
Total Bid Deposit:	\$
<i>equals</i>	
Net Amount Due***:	\$

* Sales Price means, for each Mortgage Loan, an amount equal to the product of the applicable Bid Percentage and the Unpaid Principal Balance. Schedule I to the Agreement sets forth, among other things, the Sales Price, Bid Percentage, and the Unpaid Principal Balance for each Mortgage Loan. The Aggregate Sales Price means an amount equal to sum of the individual Sales Prices.

** Detail on attached. See Escrow Amount.

*** The Net Amount Due is equal to the Settlement Date Payment.

Initially capitalized terms used and not defined herein have the meanings given in the Conveyance, Assignment and Assumption Agreement (“Agreement”) dated _____, 20____, between the Secretary of the Department of Housing and Urban Development (“HUD”) and _____, (“Purchaser”).

Amounts to be remitted to HUD to be sent to the following account:

[HUD wire instructions]

ACKNOWLEDGED AND AGREED as of _____, 20____.
SECRETARY OF HOUSING AND URBAN DEVELOPMENT,

By:

Name:

Title:

PURCHASER

By:

Name:

Title:

EXHIBIT E-3

FORM OF SETTLEMENT STATEMENT – SUBSEQUENT SETTLEMENT DATE

**SETTLEMENT STATEMENT
(Subsequent Settlement Date – SFLS 2012-3)**

Aggregate Sales Price:*	\$
(___ Subsequent Assets)	
<i>minus</i>	
Aggregate positive escrow and suspense balances:**	\$
<i>equals</i>	
Net Amount Due***:	\$

* Sales Price means, for each Mortgage Loan, an amount equal to the product of the applicable Bid Percentage and the Unpaid Principal Balance. Supplement No. 2 to Schedule I to the Agreement sets forth, among other things, the Sales Price, Bid Percentage, and the Unpaid Principal Balance for each Mortgage Loan. The Aggregate Sales Price means an amount equal to sum of the individual Sales Prices.

** Detail on attached. See Escrow Amount.

*** The Net Amount Due is equal to the Settlement Date Payment.

Initially capitalized terms used and not defined herein have the meanings given in the Conveyance, Assignment and Assumption Agreement dated _____, 20____ (“Agreement”), between the Secretary of the Department of Housing and Urban Development (“HUD”) and _____ (“Purchaser”).

Amounts to be remitted to HUD to be sent to the following account:

[HUD wire instructions]

ACKNOWLEDGED AND AGREED as of _____, 2012.

SECRETARY OF HOUSING AND URBAN DEVELOPMENT

By:
Name:
Title:

PURCHASER:
By:
Name:
Title:

EXHIBIT F-1
INTERIM SERVICING AGREEMENT