APPENDIX 3

REHABILITATION LOAN RIDER

THIS REHABILITATION LOAN RIDER is made this ______________ day of ____________, 19__, and is incorporated into and shall be deemed to amend and supplement the Mortgage, Deed of Trust or Security Deed ("Security Instrument") of the same date given by the undersigned ("Borrower") to secure Borrower's Note ("Note") to ("Lender") of the same date and covering the property described in the Security Instrument and located at:

(Property Address)

ADDITIONAL COVENANTS. In addition to the covenants and agreements made in the Security Instrument, Borrower and Lender further covenant and agree as follows:

A. Loan proceeds are to be advanced for the rehabilitation of the premises in accordance with the Rehabilitation Loan Agreement dated ____________, 19__, between the borrower and lender. This agreement is incorporated by reference and made a part of this mortgage. No advances shall be made unless approved by a Direct Endorsement Underwriter or the Assistant Secretary of Housing - Federal Housing Commissioner, Department of Housing and Urban Development.

B. If the rehabilitation is not properly completed, performed with reasonable diligence, or is discontinued at any time except for strikes or lockouts, the lender is vested with full authority to take the necessary steps to protect the rehabilitation improvements and the property from harm, continue existing contracts or enter into necessary contracts to complete the rehabilitation. All sums expended for such protection, exclusive of the advances of the principal indebtedness, shall be added to the principal indebtedness, and be secured by the mortgage and be due and payable on demand with interest as set out in the note.

C. If the borrower fails to make any payment or to perform any other obligation under the loan, including the commencement, progress and completion provisions of the Rehabilitation Loan Agreement, and such failure continues for a period of 30 days, the loan shall, at the option of the lender, be in default.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Rehabilitation Loan Rider.

Borrower (Seal)                   Borrower (Seal)