

Secondary Financing--Effect on Contract of Insurance

Legal Opinion: GHM-0011

Index: 3.365

Subject: Secondary Financing--Effect on Contract of Insurance

November 25, 1991

Crossland Savings Bank, F.S.B.
211 Montague Street
Brooklyn, New York 11201

Dear Sirs:

I am writing at the request of Richard Goldstein, Esq., regarding the First Mortgagee's Agreement (the "Agreement") to be entered into by Crossland Savings Bank, F.S.B. (Crossland), Loyola Federal Savings and Loan Association ("Loyola") and the Maryland Housing Fund ("MHF"), with respect to a loan (the "Loan") to be made by Loyola to Circle Terrace Associates Limited Partnership (the "Borrower") and insured by MHF for the purpose of rehabilitating and improving the Project. Crossland made a mortgage loan (the "First Mortgage") to the Borrower secured by a deed of trust dated June 1, 1971, said First Mortgage being insured by HUD. The Agreement provides in part that, prior to assigning the First Mortgage to HUD, Crossland shall notify Loyola and MHF, and Loyola or MHF shall be entitled to purchase the First Mortgage from Crossland for the amount specified in the Agreement. The Agreement also provides that the Agreement is subject and subordinate to the rights of HUD under the contract of mortgage insurance between HUD and Crossland and the rights of HUD under the Regulatory Agreement between HUD and the Borrower; that no default under the Loan shall be a default under the First Mortgage, and that nothing in the Agreement shall conflict with HUD insurance requirements.

Based on our review of the draft Agreement dated November 22, 1991, we confirm that the execution of the Agreement will not impair the rights of Crossland or its successors or assigns under the contract of insurance.

Very sincerely yours,

Harold A. Levy
Chief Attorney
Loan Management and Property
Disposition Section