

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION

LOAN CONTRACT AND TRUST AGREEMENT
(Low-and Moderate-Income Sponsor Assistance)

This Loan Contract and Trust Agreement made and entered into this _____ day of _____, 19____ by and between the UNITED STATES OF AMERICA, Secretary of Housing and Urban Development, (herein called Secretary) and _____, a _____ organized and existing under and by virtue of the laws of the State of _____, having its principal offices at _____, (herein called Sponsor).

WHEREAS, the Sponsor intends to develop a housing project and to make or cause to be made an application to the Secretary for a commitment to insure a loan under the provisions of Section _____ of the National Housing Act, as amended, and the regulations issued pursuant thereto, and

WHEREAS, the Sponsor has applied for a loan in accordance with Section 106(b) of the Housing and Urban Development Act of 1968, which application has been submitted to the Secretary for approval, and which application is incorporated in and made a part of this agreement.

NOW, THEREFORE, the parties mutually agree as follows:

1. The Sponsor has commenced planning a housing project identified as:

and hereby represents that it possesses sufficient financial resources, combined with the advance to be made by the Secretary, to complete successfully the processing preliminary to disbursement of mortgage proceeds to finance construction or rehabilitation of the project. The Sponsor covenants that it shall use its best efforts to meet the requirements of the Federal Housing Commissioner to obtain a commitment for insurance under Section _____ of the National Housing Act, as amended, and the relevant regulations.

2. Upon approval of the application for a loan under Section 106(b), the Secretary will deliver to the Sponsor a check for the first disbursement. Delivery of this check shall constitute the Secretary's acceptance of the terms of this agreement and both parties shall thereafter be fully bound by the terms of this agreement and application. The advance or advances to be made by the Secretary pursuant to this agreement shall total \$ _____

3. The Sponsor certifies that it has spent \$ _____ for the expenses listed in the application and that it will contribute \$ _____, representing 20% of the estimated cost of planning the project, as its share, and further agrees that this contribution and all funds received from the Secretary shall be held in trust by the Sponsor and shall be deposited in a trust account, separate from all other accounts in a bank whose deposits are insured by the Federal Deposit Insurance Corporation. Where the Secretary's advance is made in a series of staged payments, the Sponsor may make its contribution on the same basis. The Sponsor agrees to certify on the receipt for each advance that it has spent or deposited in the trust account an amount equal to 20% of the expenditures to date and estimated to be made in the next month for planning this project. The Sponsor's expenditures and funds in the trust account shall be used only for the purposes stated herein and, at the time of first disbursement of mortgage proceeds, any unexpended funds shall be returned to the Secretary as beneficiary of the trust for appropriate adjustment. This trust shall in no event endure for a period exceeding twenty-one years.

4. Funds in the trust account shall be expended only for the purposes set forth in the application and in the amounts specified therein, unless such other or additional expenditure shall be approved in advance by the Secretary in writing. The sponsor expressly covenants to exercise its best efforts to obtain all services at the least possible expense. The Sponsor agrees to maintain and keep complete records in accordance with instructions from the Secretary of all disbursements from the trust account, make an accounting of all receipts and disbursements to the FHA director at the time of the first disbursement of mortgage proceeds or at such other times as may be requested by the FHA director, and to make such records available to the Secretary upon request.

5. The Sponsor promises to repay to the Secretary the full amount of the advance made in accordance with this agreement. The loan shall be payable in full six months from the date of the first disbursement by the Secretary under this agreement; except that if an FHA Commitment shall be issued for this project during this six-month period, the maturity shall be the date of the first disbursement of the mortgage proceeds. Where any portion of the funds disbursed from the trust account is not authorized by FHA to be recovered from the first disbursement of mortgage proceeds, the maturity for this portion of the loan shall be further extended to the date of the final disbursement of mortgage proceeds. In the event the FHA Commitment expires before mortgage proceeds are disbursed the entire amount of the loan shall be due and payable on that date. In any event the entire amount shall be due and payable two years from the date of the first disbursement under this agreement unless extended by the Secretary in writing.



6. The Secretary agrees to cancel repayment of any portion of the loan that he determines cannot be included in the mortgage proceeds, provided that the Sponsor submits a full and complete accounting satisfactory to the Secretary of all funds expended including funds disbursed from the trust account together with the Sponsor's certification that all sums were in payment of expenditures listed in the application and approved by the Secretary. Any unexpended funds in the trust account shall be returned to the Secretary for appropriate adjustment. The Secretary will not cancel repayment of that portion of the loan which is determined to be in excess of 80 percent of the total expenditures certified to by the Sponsor and approved by the Secretary.

7. In the event the Sponsor is unable to obtain an FHA insured mortgage, the Secretary agrees to cancel repayment of the loan, provided the Sponsor has complied with all the foregoing requirements of this agreement, has diligently tried to obtain an FHA insured mortgage and submits a full and complete accounting satisfactory to the Secretary of all funds expended including funds disbursed from the trust account together with the Sponsor's certification that all sums were in payment of expenditures listed in the application and approved by the Secretary. Any unexpended funds in the trust account shall be returned to the Secretary for appropriate adjustment. The Secretary will not cancel repayment of that portion of the loan which is determined to be in excess of 80 percent of the total expenditures certified to by the Sponsor and approved by the Secretary.

(Sponsor)

By: _____