

Neighborhood Stabilization Outcome Pool Mortgage Loan Rider

This Neighborhood Stabilization Outcome (“NSO”) Pool Mortgage Loan Rider is made this day of , 20 , and is incorporated into and shall be deemed to amend and supersede the terms of the SFLS 2012-3 Conveyance, Assignment and Assumption Agreement (“CAA”) of the same date made by the undersigned Purchaser and the Secretary of Housing and Urban Development ("Secretary"), only with regard to Article II, Sections 2.09, governing Post-Sale Reporting and Post-Sale Servicing requirements for the Mortgage Loans.

(a) Post-Sale Servicing and Management.

(1) All Mortgage Loans. At all times during the Post Sale Reporting Period, the Mortgage Loans must be serviced by the servicer identified by Purchaser in its NSO Supplemental Qualification Statement and relied on by the Secretary in qualifying Purchaser for participation in this sale, or any successor servicer, which is (i) authorized by the Secretary as a successor servicer for purposes of this transaction, (ii) either an FHA-approved mortgagee or a Fannie Mae or Freddie Mac approved servicer with actual experience in servicing loans similar to the Mortgage Loans; and, (iii) in good standing with and rated average or above by the applicable Agencies, if so rated. Purchaser shall provide any documentation requested by the Secretary for authorization of a successor servicer. Purchaser shall provide a self-certification regarding compliance with this provision in the format provided in Exhibit B-1-NSO 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 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-NSO 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-NSO with the initial Post-Sale Report.

(2) Post-Sale Asset Management. At all times during the Post Sale Reporting Period, the properties in Purchaser’s portfolio formerly securing a Mortgage Loan must be managed by the Asset Manager or Rental Manager identified by Purchaser in its NSO Qualification Statement and relied on by the Secretary in qualifying Purchaser for participation in this sale, or any successor managers, which are (i) authorized by the Secretary as successor managers for purposes of this transaction, (ii) appropriately licensed to conduct business in the areas in

which such properties are located; (iii) actually experienced in management or rental of properties similar to those formerly secured by the Mortgage Loans; and, (iv) in good standing with and rated average or above by the applicable Agencies, if so rated. Purchaser shall provide any documentation requested by the Secretary for authorization of a successor manager. Purchaser shall provide a self-certification regarding compliance with this provision in the format provided in Exhibit B-1-NSO with each Post-Sale Report.

(b) Neighborhood Stabilizing Outcomes (NSOs).

(1) Achievement of NSOs. Purchaser shall achieve, with respect to at least fifty (50) percent (rounded up to the nearest number of loans) of the total number of Mortgage Loans delivered to Purchaser, a Neighborhood Stabilizing Outcome within forty-eight (48) months of the Second Settlement Date (“Post-Sale Compliance Period”). Purchaser may receive credit for only one NSO for each Mortgage Loan. Should any loans be repurchased pursuant to the terms of the CAA, the total number of Mortgage Loans will be decreased for each Mortgage Loan repurchased and the required number of NSOs will be recalculated based on the revised total number of Mortgage Loans.

(2) Qualifying NSOs. Purchaser will receive credit for one NSO for each Mortgage Loan for which Purchaser achieves one of the following outcomes:

(i) Mortgage Loan Re-performance. To qualify as an NSO, Purchaser must achieve Mortgage Loan Re-performance within the Post-Sale Compliance Period, meaning six months of consecutive on-time payments on an unmodified or permanently modified Mortgage Loan. Payments on trial payment plans do not count towards the six months of on-time performance unless the mortgage has been permanently modified and the terms of the modified mortgage are the same as the terms of the trial payment plan. Once Mortgage Loan Re-performance has been achieved, the future performance of the mortgage loan or its disposition does not affect Purchaser’s receipt of NSO credit for such Mortgage Loan.

(ii) Sale to Owner Occupant. Sales to owner occupants during the Post-Sale Compliance Period may qualify as an NSO if they meet the requirements of (A) or (B) below. Notwithstanding any other provision of this agreement, no sale to an owner occupant may qualify as an NSO if the property was listed for sale or marketed as an REO at any time.

(A) **Short Sale.** To qualify as an NSO, Purchaser may consent to a short sale of the property by the existing borrower directly to an Owner Occupant.

(B) **Sale to Held-for-Rental Tenant.** To qualify as an NSO, Purchaser must sell the property, which was first Held-for-Rental for a period of at least three months, to the existing Held-for-Rental tenant, who will continue to occupy the property as an Owner Occupant.

(iii) **Held-for-Rental.** To qualify as an NSO, Purchaser must take title to a property previously secured by a Mortgage Loan and must hold such property as a rental unit until the expiration of a three year period beginning on date the Purchaser first leases the property, or of the Post-Sale Compliance Period, whichever occurs first. Purchaser must actively market and manage the property as a rental unit at all times during the Post-Sale Compliance period that such property is designated as Held-for-Rental. The Purchaser must ensure that any Held-for-Rental unit meets all applicable local code requirements, Minimum Property Standards, and comply with any applicable requirements of federal, state and local property rental and management laws. Additionally, any Held-for-Rental unit that has been actively marketed and managed as a rental unit during the Post-Sale Compliance Period and remains designated as a Held-for-Rental unit as of the expiration of the Post-Sale Compliance Period shall qualify as an NSO. Notwithstanding the any other provision of this agreement, Held-for-Rental unit may not qualify as an NSO if the property was listed for sale or marketed as an REO at any time.

(iv) **Gift to Land Bank or Unit of State or Local Government (collectively “Land Bank”).** To qualify as an NSO, during the Post-Sale Compliance Period Purchaser must transfer all rights and title to the Mortgage Loan or property securing the Mortgage Loan to a Land Bank at no cost to the Land Bank and without receiving any benefit, property, services or money from the Land Bank in exchange. Such Land Bank must be operated as a 501(c) tax-exempt organization or be a unit of state or local government.

(v) **Sale to an Neighborhood Stabilization Program Grantee or Subgrantee (collectively “NSP Grantee”).** To qualify as an NSO, during the Post-Sale Compliance Period Purchaser must sell the property to an NSP Grantee, who has been approved by HUD as a purchaser for each specific transaction.

(vi) Mortgage Loan Satisfaction. To qualify as an NSO, the borrower must satisfy the mortgage debt and the Purchaser must ensure recordation of the release of the corresponding security instrument.

(3) Non-Neighborhood Stabilizing Outcomes. Foreclosure or deed-in-lieu resulting in an REO sale or the listing or marketing of the property for sale, foreclosure or deed-in-lieu resulting in the transfer of title and possession to the Purchaser without subsequent occupancy of the subject property by a rental tenant, a short-sale to a non-owner-occupant, the sale of a Mortgage Loan unless the Mortgage Loan has Re-Performed as defined in subsection (a), or any other non-Neighborhood Stabilizing Outcome, will not constitute a Neighborhood Stabilizing Outcome.

(c) Post-Sale Reporting.

(1) Summary Reports. Purchaser or its Affiliate(s) shall provide summary reporting to HUD on the current status of the sale portfolio quarterly in the format provided in Exhibit B-1-2 (the “Post-Sale Report–2”) 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 third calendar month following the Second Settlement Date. Thereafter the reporting periods begin on the first day of the calendar month following the end of the prior reporting period and end on the last day of the third calendar month following the prior reporting period. This periodic post sale reporting requirement ends after a total of sixteen (16) Post-Sale Reports have been delivered after the forty-eighth (48th) month following the Second Settlement Date. The Post Sale Reports are due by the twentieth (20th) Business Day of the month following the end of the applicable reporting period (“Post-Sale Reporting Period”).

(2) NSO Documentation. Except as noted below, Purchaser must retain, for a period of two years following the submission of the final Post-Sale Report, the following documentation in support of the NSO claimed or other non-NSO and must provide such documentation to HUD, or its contractor or agent, upon request.

(i) Mortgage Loan Re-performance. Purchaser must retain payment histories documenting Mortgage Loan Re-performance to support each such NSO. Once Mortgage Loan Re-performance has been achieved, Purchaser shall continue to maintain performance information concerning any Mortgage Loan in Purchaser’s portfolio and the disposition of any Mortgage Loan no longer held by Purchaser.

(ii) Sale to Owner Occupant.

(A) Short Sale. Purchaser must retain a copy of the HUD-1 Settlement Statement and obtain an Owner Occupancy certification from the new purchaser for each Sale to Owner Occupant NSO. Such Owner Occupancy certification must be signed by the purchasers of the property and provide as follows: “One of the undersigned intends to occupy the subject property as his or her principal residence for a period of at least one year.”

(B) Sale to Held-for-Rental Tenant. Purchaser must retain a copy of the lease agreement that lists the new purchaser as the existing tenant at the time of the sale, retain a copy of the HUD-1 Settlement Statement and obtain an Owner Occupancy certification from the tenant/new purchaser for each Sale to Owner Occupant NSO.

- (iii) Held-for-Rental.** Purchaser must retain fully executed leases for each Held-for-Rental NSO. For any Held-for-Rental unit that remains vacant for a period in excess of ninety (90) days during the Post-Sale Reporting Period, Purchaser’s Post Sale Reports must include an explanation of the extended vacancy. Purchaser must retain documentation necessary to support the Purchaser’s inability to lease the unit. Such documentation must either demonstrate Purchaser’s active marketing of the rental unit or support the extended vacancy as a result of necessary rehabilitation being undertaken on the property where the extended vacancy period is the result of rehabilitation and repair of the rental unit.
- (iv) Gift to Land Bank.** Purchaser must obtain a donation receipt from the receiving Land Bank confirming the transfer without the provision of any benefit, property, service, or money in exchange and documentation of the Land Bank’s status as a 501(c) tax-exempt organization or a unit of state or local government.
- (v) Sale to a Neighborhood Stabilization Program Grantee or Subgrantee.** Purchaser must retain a copy of the HUD-1 Settlement Statement for each sale and documentation of the NSP Grantee’s eligibility to purchase the property.
- (vi) Mortgage Loan Satisfaction.** Purchaser must retain proof of the borrower’s satisfaction of the mortgage debt and the recordation of the release of the corresponding security instrument.

- (vii) **Non-NSO.** Purchaser must retain documentation to support of its disposition of the Mortgage Loan or the property securing the mortgage loan. For any sale of the Mortgage Loan, Purchaser must retain the sales contract and evidence of the consummation of the sale. For any sale of the property that had been the security for the Mortgage Loan, Purchaser must retain the HUD-1 and information on the identity of the buyer of the property and the buyer's relationship to the Purchaser, if any.

(d) Liquidated Damages.

- (i) **Non-NSO Dispositions in excess of Non-NSO threshold by no more than ten percent.** For each Mortgage Loan that the Purchaser disposes with a non-NSO in excess of the allowable non-NSO threshold by no more than ten percent, HUD may, in its sole discretion, require Purchaser to remit to HUD up to the Net Sales Proceeds from the sale of any such non-NSO property or Mortgage Loan occurring within forty-eight (48) months of the Second Settlement Date. Net Sales proceeds shall be calculated based on the difference between Purchaser's bid price for the individual Mortgage Loan and the actual sales price. Where the sale of a non-NSO property or Mortgage Loan subject to this damage provision is a sale other than an arms-length transaction between Purchaser and a wholly-unaffiliated or unassociated Person, including any donation of property or Mortgage Loans to a Person other than a Land Bank as described above, HUD may, in its sole discretion, require Purchaser to remit to HUD up to the greater of either (i) the gross sales proceeds from such sale or (ii) the Fair Market Value of the property or Mortgage Loan as of the date of sale.
- (ii) **Non-NSO Dispositions in excess of NON-NSO threshold by ten percent or more.** For each Mortgage Loan that the Purchaser disposes with a non-NSO in excess by ten percent or more than the allowable non-NSO threshold, HUD may, in its sole discretion, require Purchaser to remit to HUD up to the greater of either (i) the gross sales proceeds from such sale or (ii) the Fair Market Value of the property or Mortgage Loan as of the date of sale.

IN WITNESS WHEREOF, each of the Parties has caused this NSO Pool Mortgage Loan Rider to the CAA of the same date 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: _____