

After recording return to:

**DEED OF TRUST**  
**Bellingham Downpayment**  
**Assistance**

Grantor/Borrower: \_\_\_\_\_

Grantee/Beneficiary: The Washington State Housing Finance Commission

Grantee/Trustee: \_\_\_\_\_

Legal Description/  
Abbreviated Form: \_\_\_\_\_

*(Please attach the full legal description as an Exhibit at the end of this document)*

Assessor's Tax Parcel ID #: \_\_\_\_\_

Type of Property (check one):      One-unit family residence  
    Condominium unit  
    Manufactured housing with lot

This Deed of Trust is second and subordinate to that Deed of Trust dated \_\_\_\_\_, from Grantor, for the benefit of \_\_\_\_\_ (first mortgage company) and recorded under Whatcom County Auditor Number \_\_\_\_\_.

THIS DEED OF TRUST is made this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by the Grantor, \_\_\_\_\_ (herein "Borrower," which term includes each of the persons signing this document), whose address is \_\_\_\_\_, Bellingham, WA \_\_\_\_\_; in favor of \_\_\_\_\_ (title company), whose address is \_\_\_\_\_

\_\_\_\_\_ (herein "Trustee"), for the benefit of the Beneficiary, the Washington State Housing Finance Commission, a public body corporate and politic, and an instrumentality of the State of Washington, whose address is 1000 2<sup>nd</sup> Avenue, Suite 2700, Seattle, WA 98104-3601. The Beneficiary is referred to herein, together with its successors and assigns, as "Lender".

BORROWER, in consideration of the indebtedness herein recited and the trust herein created, irrevocably grants, bargains, sells and conveys to Trustee, in trust, with power of sale, all Borrower's estate, right, title, interest, claim and demand, now owned or hereafter acquired, in and to the following property located in the County of Whatcom, State of Washington, which has the address of:

\_\_\_\_\_, Bellingham, WA  
\_\_\_\_\_ (herein "Property Address");

TOGETHER with all the improvements now or hereafter erected on the property, all rights to land underlying streets and alleys abutting the property, and all easements, rights, appurtenances, rents (subject however to the rights and authorities given herein to Lender to collect and apply such rents), royalties, mineral, oil and gas rights and profits, water, water rights, and water stock, and all fixtures now or hereafter attached to the property, all of which, including replacements and additions thereto, shall be deemed to be and remain a part of the property covered by this Deed of Trust; and all of the foregoing, together with said property are herein referred to as the "Property";

TO SECURE to Lender the following:

- (a) the repayment of the indebtedness evidenced by Borrower's promissory note dated \_\_\_\_\_, in the principal sum of \_\_\_\_\_ **DOLLARS (\$ \_\_\_\_\_)** with interest thereon, as provided therein, with the balance of the indebtedness, if not sooner paid, due and payable on \_\_\_\_\_ (such promissory note, including any increases in the original principal sum, and all renewals, modifications, substitutions, consolidations or extensions thereof, is referred to as the "Note");
- (b) the payment of all other sums, with interest thereon, advanced in accordance herewith to protect the security of this Deed of Trust; and
- (c) the performance of the covenants and agreements of Borrower in this Deed of Trust.

Borrower covenants, agrees, represents and warrants as follows:

1. Payment of Principal and Interest. Borrower shall promptly pay when due the principal of and interest on the indebtedness evidenced by the Note, late charges as provided in the Note, under the terms of the Note.
2. Application of Payments. Unless applicable law provides otherwise, all payments received by Lender under the Note and Section 1 hereof shall be applied by Lender first, to interest on any amounts expended by Lender under Section 6 of this Deed of Trust; next, to repay Lender the principal amount of any expenditures under Section 6 of this Deed of Trust; next, to interest accrued on the next then payable; next, to the principal of the Note; next, to any costs or fees payable by Borrower; next, to any late charges due under the Note; and the remaining balance, if any to the person or persons entitled thereto. For purposes of this Deed of Trust, "principal" shall include any interest that is added to principal in accordance with the terms of the Note.
3. Charges; Liens. Borrower shall pay before delinquency all taxes, assessments, surface water management charges, installments due on any prior deed of trust, mortgage or real estate contract, ground rents, and other charges

and impositions attributable to the Property that may have or attain a priority over this Deed of Trust. Borrower shall promptly furnish to Lender all notices of amounts past due under this Section, and upon request by Lender Borrower shall promptly furnish to Lender receipts evidencing payment of all amounts due thereunder. Borrower shall promptly discharge any lien which has or may have priority, wholly or in part, over this Deed of Trust (except the lien of the first lien deed of trust referenced on the first page hereof); provided, that Borrower shall not be required to discharge any such lien so long as Borrower shall in good faith contest such lien by, or defend enforcement of such lien in, legal proceedings which operate to prevent the enforcement of the lien or forfeiture of the Property or any part thereof and, if so required by Lender, Borrower shall post a bond in an amount and from a surety satisfactory to Lender sufficient to protect Lender's interest from the effect of any enforcement of such lien. Any failure to make any payment described in this Section when due, and any other breach of any obligation of Borrower under any prior mortgage, deed of trust, real estate contract, or lease shall be a default under this Deed of Trust.

4. Hazard Insurance. Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire, hazards included within the term "extended coverage," and such other hazards as Lender may require (excluding earthquake and terrorism). This insurance shall be in such amounts (including deductible levels) as Lender may require from time to time; provided, that Lender shall not require that the amount of such coverage exceed that amount of coverage required to pay (a) the sums secured by this Deed of Trust and all debt obligations secured by prior liens; or (b) the maximum insurable value of the improvements on the Property, whichever shall be less.

The insurance carrier providing the insurance shall be chosen by Borrower subject to approval by Lender; provided, that such approval shall not be unreasonably withheld. All premiums on insurance policies shall be paid by Borrower making payment, when due, directly to the insurance carrier.

All insurance policies and renewals thereof shall be in form acceptable to Lender and shall include a standard mortgagee clause in favor of and in form acceptable to Lender. Lender shall have the right to hold the policies and renewals thereof, and Borrower shall promptly furnish to Lender all renewal notices and all receipts of paid premiums. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

If Borrower fails to maintain any of the coverages described above, Lender may obtain insurance coverage, at Lender's option and Borrower's expense. Lender is under no obligation to purchase any particular type or amount of coverage. Therefore, such coverage shall cover Lender, but might or might not protect Borrower, Borrower's equity in the Property, or the contents of the Property, against any risk, hazard or liability and might provide greater or lesser coverage than was previously in effect. Borrower acknowledges that the cost of the insurance coverage so obtained might significantly exceed the cost of insurance that Borrower could have obtained. Any amounts disbursed by Lender under this Section shall become additional debt of Borrower secured by this Deed of Trust. These amounts shall bear interest at the rate of 12% per annum from the date of disbursement and shall be payable, with such interest, upon notice from Lender to Borrower requesting payment.

Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property, provided such restoration or repair is economically feasible and the security of this Deed of Trust is not lessened. If Lender determines in its sole judgment that such restoration or repair is not economically feasible or if the security of this Deed of Trust would be impaired, the insurance proceeds shall be applied to the sums secured by this Deed of Trust, with the excess, if any, paid to Borrower or the other person(s) entitled thereto. If insurance proceeds are paid to any other holder of a security instrument on the Property, then Borrower irrevocably agrees and directs that any part of such proceeds that may become payable to Borrower by such holder shall instead be paid directly to Lender. If the Property is abandoned by Borrower, or if Borrower fails to respond to Lender within thirty (30) days from the date notice is mailed by Lender to Borrower that the insurance carrier offers to settle a claim for insurance benefits, Lender is authorized to collect and apply the insurance proceeds at Lender's option either to restoration or repair of the Property or to the sums secured by this Deed of Trust.

Unless Lender and Borrower otherwise agree in writing, any such application of proceeds to principal shall not extend or postpone the due date of the monthly installments referred to in the Note or change the amount

of such installments. If under Section 16 hereof the Property is acquired by Lender, all right, title and interest of Borrower in and to any insurance policies and in and to the proceeds thereof resulting from damage to the Property prior to the sale or acquisition shall pass to Lender to the extent of the sums secured by this Deed of Trust immediately prior to such sale or acquisition.

5. Preservation and Maintenance of Property; Leaseholds; Condominiums; Planned Unit Developments; Unit Lot Subdivision. Borrower shall keep the Property in good repair and in compliance with all applicable laws, ordinances, regulations, covenants, conditions and restrictions. Borrower shall not commit waste or permit impairment or deterioration of the Property. Borrower shall not structurally alter, remove or demolish any building or improvement on the Property, nor use the Property for any nonresidential purpose, without Lender's prior written consent. If this Deed of Trust is on a unit in a condominium, a planned unit development, or a lot in a unit lot subdivision (or short subdivision) Borrower shall perform all of Borrower's obligations under each declaration, joint use or management agreement, covenant, by-laws, regulation and constituent document creating, governing or encumbering the condominium, planned unit development, or unit lot subdivision (or short subdivision). If a condominium or planned unit development rider is executed by Borrower and recorded together with this Deed of Trust, the covenants and agreements of such rider are incorporated into, amend and supplement the covenants and agreements of this Deed of Trust.
6. Protection of Lender's Security. If (a) Borrower fails to perform the covenants and agreements contained in this Deed of Trust, (b) there is a legal proceeding that might significantly affect Lender's interest in the Property and/or rights under this Deed of Trust (such as a proceeding in bankruptcy, probate, for condemnation or forfeiture, for enforcement of a lien which may attain priority over this Deed of Trust or to enforce laws or regulations), or (c) Borrower has abandoned the Property, then in any such case Lender may do and pay for whatever Lender determines is reasonable or appropriate to protect Lender's interest in the Property and rights under this Deed of Trust, including protecting and/or assessing the value of the Property, and securing and/or repairing the Property. Lender's actions can include, but are not limited to: (a) paying any sums secured by a lien that has or may have priority over this Deed of Trust; (b) appearing in court; and (c) paying reasonable attorneys' fees to protect its interest in the Property and/or rights under this Deed of Trust, including its secured position in a bankruptcy proceeding. Securing the Property includes, but is not limited to, entering the Property to make repairs, change locks, replace or board up doors and windows, drain water from pipes, eliminate building or other code violations or dangerous conditions, and have utilities turned on or off. Although Lender may take action under this Section 6, Lender does not have to do so and is not under any duty or obligation to do so. It is agreed that Lender incurs no liability for not taking any or all actions authorized under this Section 6. Any amounts disbursed by Lender under this Section 6 shall become additional debt of Borrower secured by this Deed of Trust. These amounts shall bear interest at the rate of twelve percent (12%) per annum unless payment of interest at such rate would be contrary to applicable law, in which event these amounts shall bear interest at the highest rate permissible under applicable law. These amounts are due upon notice from Lender to Borrower requesting payment.
7. Inspection. Lender may make or cause to be made reasonable entries upon and inspections of the Property, provided that Lender shall give Borrower notice prior to any such inspection specifying reasonable cause therefor related to Lender's interest in the Property. Any inspection is solely for Lender's purposes in determining compliance with this Deed of Trust and protecting Lender's security, and is not for the benefit of Borrower or any other person or class of persons. Lender shall have no obligation to communicate the results of any inspection to Borrower or any other person.
8. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of the Property, or part thereof, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender.

In the event of a total taking of the Property or a partial taking that materially impairs the continued use of the Property for residential purposes, the proceeds shall be applied to the sums secured by this Deed of Trust, with the excess, if any, paid to Borrower. In the event of any other partial taking of the Property, unless Borrower and Lender otherwise agree in writing, the proceeds shall be applied to the sums secured by this Deed of Trust whether or not the sums are then due.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemner offers

to make an award or settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date such notice is mailed, Lender is authorized to collect and apply the proceeds, at Lender's option, either to restoration or repair of the Property or to the sums secured by this Deed of Trust.

Unless Lender and Borrower otherwise agree in writing, any such application of proceeds to principal shall not extend or postpone the due date of the monthly installments on the Note or any other indebtedness secured hereby or change the amount of such installments.

9. Borrower Not Released. Extension of the time for payment or modification of amortization of the sums secured by this Deed of Trust granted by Lender to Borrower or any successor in interest of Borrower shall not operate to release the liability of Borrower or any of Borrower's successors in interest. Lender shall not be required to commence proceedings against any successor in interest of Borrower or to refuse to extend time for payment or otherwise modify amortization of the sums secured by this Deed of Trust by reason of any demand made by the original Borrower or any of Borrower's successors in interest.
10. Forbearance by Lender Not a Waiver. Any forbearance by Lender in exercising any right or remedy hereunder, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any such right or remedy. The procurement of insurance or the payment of taxes or other liens or charges by Lender shall not be a waiver of Lender's right to accelerate the maturity of the indebtedness secured by this Deed of Trust.
11. Remedies Cumulative. All remedies provided in this Deed of Trust are distinct and cumulative to any other right or remedy under this Deed of Trust or afforded by law or equity, and may be exercised concurrently, independently or successively.
12. Joint and Several Liability; Successors and Assigns Bound. Borrower covenants and agrees that Borrower's obligations and liability shall be joint and several.  
  
Subject to the provisions of Section 15, any successor in interest of Borrower who assumes Borrower's obligations under this Deed of Trust in writing, and is approved by Lender, shall obtain all of Borrower's rights and benefits under this Deed of Trust. Borrower shall not be released from Borrower's obligations and liability under this Deed of Trust unless Lender agrees to such release in writing. The covenants and agreements of this Deed of Trust shall benefit the successors and assigns of Lender.
13. Notice. Except for any notice required under applicable law to be given in another manner, (a) any notice to Borrower provided for in this Deed of Trust shall be given by mailing such notice addressed to Borrower at the Property Address or at such other address as Borrower may designate by notice to Lender as provided herein, and (b) any notice to Lender shall be given by certified mail, return receipt requested, to Lender's address stated herein or to such other address as Lender may designate by notice to Borrower as provided herein. Any notice provided for in this Deed of Trust shall be deemed to have been given to Borrower or Lender when given in the manner designated herein.
14. Borrower's Copy. Borrower shall be furnished a copy of the Note and of this Deed of Trust.
15. Transfer of the Property; Change of Occupancy; Refinance or Prepayment of Primary Loan. As used in this Section 15, "Interest in the Property" means any legal or beneficial interest in the Property, including, but not limited to, those beneficial interests transferred in a bond for deed, contract for deed, installment sales contract or escrow agreement, the intent of which is the transfer of title by Borrower at a future date to a purchaser. If all or any part of the Property or any Interest in the Property is sold or transferred (or if Borrower is not a natural person and a beneficial interest in Borrower is sold or transferred) without Lender's prior written consent, Lender may require payment in full of all sums secured by this Deed of Trust on not less than thirty (30) days' notice. For purposes of this Section a "transfer" includes, without limitation, any deed, gift, real estate contract, inheritance or involuntary transfer such as by foreclosure sale, and includes any lease or rental agreement. In addition, as set forth in the Note, the Lender shall have the option to require payment in full of all sums secured by this Deed of Trust on not less than thirty (30) days' notice if at any time the Property is not the principal residence of the Borrower, the Primary Loan is refinanced, or the Primary Loan is paid in full. "Primary Loan" as used herein is a loan to Borrower secured by a first deed of trust on the Property. However, Lender shall not exercise an option under this Section if federal law prohibits such exercise.

If Lender exercises the option to require payment under this Section, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is given within which Borrower must pay all sums secured by this Deed of Trust. If Borrower fails to pay the full amount required prior to the end of that period, Lender may pursue any remedies permitted by this Deed of Trust without further notice or demand on Borrower.

16. Acceleration; Remedies. Upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust or the Note, if such breach is not completely cured within thirty (30) days after mailing of notice from Lender to Borrower specifying such breach, Lender, at Lender's option, may declare all of the sums secured by this Deed of Trust to be due and payable on a date no less than thirty (30) days after the date of such declaration, without further demand, and may exercise all remedies permitted by applicable law. If Lender believes that any representation or warranty by Borrower in this Deed of Trust was inaccurate when made, and if Borrower does not provide evidence satisfactory to Lender of the accuracy thereof within thirty (30) days after mailing of notice from Lender to Borrower specifying such apparent inaccuracy, then Lender, at Lender's option, may declare all of the sums secured by this Deed of Trust to be due and payable on a date no less than thirty (30) days after the date of such declaration, without further demand, and may exercise all remedies permitted by applicable law. Lender shall be entitled to collect all reasonable costs and expenses incurred in pursuing the remedies provided in this Section 16, including, but not limited to, reasonable attorneys' fees (including attorneys' fees in bankruptcy), which may include the value of services of attorneys who are employees of Lender.

If Lender invokes the power of sale, Lender shall give written notice to Trustee of the occurrence of an event of default and of Lender's election to cause the Property to be sold. Trustee and Lender shall take such action regarding notice of sale and shall give such notices to Borrower and to other persons as applicable law may require. After the lapse of such time as may be required by applicable law and after publication of the notice of sale, Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder at the time and place and under the terms designated in the notice of sale in one or more parcels and in such order as Trustee may determine. Trustee may postpone sale of the Property to the extent permitted by law by public announcement at the time and place fixed in the notice of sale. Lender or Lender's designee may purchase the Property at any sale. In the event of a foreclosure sale, Borrower and the holders of any subordinate liens or security interests waive any equitable, statutory or other right they may have to require marshalling of assets or foreclosure in the inverse order of alienation.

Trustee shall deliver to the purchaser at any Trustee's sale a Trustee's deed conveying the Property so sold without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order except as may be otherwise required by law: (a) to all expenses of the sale, including, but not limited to, reasonable Trustee's and attorneys' fees and costs of title evidence and insurance; (b) to all sums secured by this Deed of Trust; and (c) the excess, if any, to the person or persons legally entitled thereto, or the clerk of the superior court of the county in which the sale took place.

The power of sale conferred by this Deed of Trust and by the Deed of Trust Act of the State of Washington is not an exclusive remedy. Lender may cause this Deed of Trust to be foreclosed as a mortgage and obtain a judgment for any deficiency against Borrower.

17. Repairs During Redemption Period. In the event of a judicial foreclosure, the purchaser during any redemption period may make such repairs and alterations to the Property as may be reasonably necessary for the proper operation, care, preservation, protection and insuring of the Property; may make disbursements for taxes, assessments, casualty and liability insurance, and liens not discharged by foreclosure of this Deed of Trust; and may pay any other amounts due with respect to the Property during the redemption period. The cost of any such repairs and alterations, and any other such amounts paid, together with interest from the date of the expenditure at the rate provided in the judgment, shall be added to the amount required to be paid for redemption of the Property.
18. Assignment of Rents; Appointment of Receiver; Lender in Possession. Borrower hereby absolutely assigns to Lender the rents of the Property, provided that Borrower shall have the license to collect rents, for not more than two months in advance, until notice from Lender revoking such license under this Section.

After default, Lender may revoke the license granted under this Section and may, directly or by agent or by judicially appointed receiver, shall be entitled to enter upon, take possession of and manage the Property or to collect the rents of the Property, including those past due, or both. Borrower hereby consents to the appointment of a receiver for such purposes. All rents collected by Lender or the receiver shall be applied first to payment of the costs of management of the Property and collection of rents, including, but not limited to, receiver's fees, premiums on receiver's bonds and reasonable attorneys' fees, and then to the sums secured by this Deed of Trust. Neither Lender nor the receiver shall be liable to account for any rents not actually received by such party.

Nothing in this Section shall be construed to limit in any way Borrower's representations and warranties regarding use of the Property as a principal residence, nor to waive Beneficiary's right to declare due and payable all amounts secured hereby in the event of change in occupancy or lease of the Property.

19. Costs. Borrower shall indemnify Lender for all of Lender's reasonable costs and expenses incurred in connection with foreclosing this Deed of Trust or pursuing any other remedies in case of default hereunder, or in connection with any action or proceeding purporting to affect the rights or duties of the Lender or the Trustee under this Deed of Trust, including without limitation any bankruptcy proceeding and any appeals, or in connection with managing the Property or collecting payments, including in each case, without limitation, attorneys' fees or the value of the services of staff counsel, legal expenses, collection costs, costs of title evidence and insurance, and trustees' and receivers' fees.
20. Reconveyance. Upon payment of all sums secured by this Deed of Trust, Lender shall request Trustee to reconvey the Property and shall surrender this Deed of Trust and all notices evidencing indebtedness secured by this Deed of Trust to Trustee. Trustee shall reconvey the Property without warranty to the person or persons legally entitled thereto. Such person or persons shall pay all costs of reconveyance and recordation, including the Trustee's fee for preparing the reconveyance.
21. Substitute Trustee. In accordance with applicable law, Lender may from time to time appoint a successor trustee to any Trustee appointed hereunder. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon the Trustee herein and by applicable law.
22. Financing Statement. This Deed of Trust shall also serve as a financing statement filed for record in the real estate records as a fixture filing pursuant to the Uniform Commercial Code.
23. Use of Property. The Property is not used principally for agricultural or farming purposes.
24. Hazardous Substances. As used in this Section:
  - (a) "Hazardous Substances" are those substances defined as toxic or hazardous substances, pollutants, or wastes by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing lead, asbestos or formaldehyde, and radioactive materials;
  - (b) "Environmental Law" means federal laws and laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection, as now in effect and as hereafter amended or supplemented;
  - (c) "Environmental Cleanup" includes any response action, remedial action, or removal action, as defined in or required by Environmental Law, and any removal or other abatement of any storage tank required by law; and
  - (d) an "Environmental Condition" means a condition that can cause or contribute to the need or requirement for an Environmental Cleanup.

Borrower shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances, or threaten to release any Hazardous Substances, on, under or in the Property. Borrower shall not do, nor allow anyone else to do, anything affecting the Property (a) that is in violation of any Environmental Law, (b) that creates an Environmental Condition, or (c) that, due to the presence, use, or release of a Hazardous Substance, creates a condition that adversely affects the value of the Property. The preceding two sentences shall not prohibit the legal presence, use, or storage on the Property of small

quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses and to maintenance of the Property (including, but not limited to, small quantities of Hazardous Substances in consumer products).

Borrower shall promptly give Lender written notice of (a) any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which Borrower has actual knowledge, (b) any Environmental Condition, including but not limited to, any spilling, leaking, discharge, release or threat of release of any Hazardous Substance, and (c) any condition caused by the presence, use or release of a Hazardous Substance, or by the presence of any storage tank, that reasonably may adversely affects the value of the Property. If Borrower learns, or is notified by any governmental or regulatory authority, or any private party, that any removal or other remediation of any Hazardous Substance affecting the Property, or any storage tank on or under the Property, is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law. Nothing herein shall create any obligation on Lender for an Environmental Cleanup.

25. Time. Time is of the essence of all of Borrower's obligations in this Deed of Trust.

26. Special City of Bellingham Loan Program Provisions. This Deed of Trust is made to secure a loan under a City of Bellingham program, which may involve use of federal funds under the HOME Investment Partnerships Act ("HOME"), to assist eligible first-time home buyers to acquire homes. Therefore, and as a condition to participation in that program Borrower makes the following additional covenants, representations and warranties:

(a) Use of Loan Proceeds; Purchase Price. Borrower agrees that the proceeds of the loan secured by this Deed of Trust shall be used solely for payment of a portion of the purchase price of the Property and related costs as shown in a closing statement approved by Lender. Borrower represents and warrants that:

(i) Borrower is purchasing the Property in good faith for use as the principal residence of Borrower;

(ii) Borrower does not have any arrangement or understanding involving the intended resale, lease, or other transfer of the Property by Borrower; and

(iii) the total purchase price of the Property does not exceed \$285,475.

(b) Deadline for Completion of Purchase and Occupancy. Borrower agrees that the home purchase funded in part by this loan must be completed no later than 60 days after the date of this Deed of Trust, and that the Lender shall have no obligation to make any disbursement if the purchase is not completed by that date. Borrower shall occupy the Property as Borrower's principal residence no later than 60 days after the date of this Deed of Trust.

(c) Information to Lender. Until the obligations secured by this Deed of Trust are paid in full Borrower agrees promptly to provide information when requested by the Lender concerning the ownership, occupancy and use of the Property. Borrower shall provide proof of Borrower's principal residence address promptly upon request by Lender.

(d) No Illegal Use of Property; Private Residence Only. Borrower represents, warrants and agrees that Borrower does not use and shall not use the Property, nor permit use of the Property, for any illegal purposes including, but not limited to, the manufacture or sale of controlled substances such as drugs, nor for any purpose other than a private residence and any accessory use permitted by applicable zoning.

(e) Accuracy of Information Provided to Lender. Borrower represents and warrants that the information provided by Borrower to the Lender concerning Borrower's household, residence history, household income, and financial resources, is true and complete.

(f) No Prohibited Conflict. Borrower represents and warrants that neither Borrower nor any member of Borrower's family both

(i) is, or was at any time during the one year period up to the date of this Deed of Trust, an employee, agent, consultant, officer, or elected official or appointed official of The City of Bellingham, or of a



subrecipient receiving HOME funds; and

(ii) exercises or has exercised any functions or responsibilities with respect to activities assisted with HOME funds, or is or was a position to participate in a decision making process or gain inside information with regard to these activities.

(g) No Proceeds of Illegal Activity. Borrower represents and warrants that he/she is not using the proceeds of any illegal activity to acquire the Property and shall not use the proceeds of any illegal activity to pay any amounts owing on the Note.

(h) Shared Appreciation. Borrower understands that the Note may require payment of Shared Appreciation as additional interest, in addition to principal and interest at the rate stated in the Note. Borrower agrees promptly to cooperate in providing any information, documents, and access to the Property that may be required or requested by Lender in order to determine the amount, if any, of Shared Appreciation that may be owing. Borrower understands that if for any reason Borrower does not provide in a timely manner complete and accurate records with respect to any improvements to the Property that might be deductible in the computation of Shared Appreciation, then Borrower shall not be entitled to credit for any such improvements in such computation. Borrower agrees to provide all necessary information regarding any proposed sale of the Property and any Eligible Improvement Costs and Eligible Sales Costs to the Lender at least twenty (20) days in advance of either the intended date of a sale or any other date when the principal balance will become due. Borrower agrees that if the Lender is not able to determine with certainty the amount of Shared Appreciation at least five (5) days before the closing date of a proposed sale or refinancing, or at least five (5) days before any other date when principal balance will become due, then the Lender may require the deposit of money with Lender, or with a licensed escrow agent on terms acceptable to the Lender, in an amount that the Lender estimates will be enough to assure full payment of Shared Appreciation. If the Lender requires such a deposit then the Lender shall not be obligated to provide any release or reconveyance of this Deed of Trust unless that deposit is made, in addition to payment of all principal, interest and other amounts secured. If the Lender requires such a deposit then the Lender shall notify Borrower and any escrow agent of the amount of Shared Appreciation within sixty (60) days after the date of deposit, and Borrower agrees that the escrow agent, if any, shall disburse that amount to the Holder regardless of any dispute or contrary instruction from Borrower, and shall have no obligation to verify the accuracy of such amount.

Borrower agrees that the inaccuracy of any of the representations or warranties in this Section 26, or the failure of Borrower to comply with any of the covenants in this Section 26, shall be a default under this Deed of Trust. In case of any such default, the Lender shall have the rights and remedies set forth in Section 16 of this Deed of Trust.

27. Charges Payable by Borrower. Lender may require Borrower to pay any or all of the following in connection with this loan:

- (a) an administrative fee to the Washington State Housing Finance Commission;
- (b) Escrow and recording fees;
- (c) If the Lender requires an appraisal, the full cost of the appraisal.

Borrower authorizes Lender to deduct the charge in (a) and (b) above from proceeds of the loan, or from any funds that may be held by Lender for the account of Borrower.

28. Governing Law; Severability; Rules of Construction. This Deed of Trust shall be governed by federal law and the law of the jurisdiction in which the Property is located. All rights and obligations contained in this Deed of Trust are subject to any requirements and limitations of applicable law. In the event that any provision or clause of this Deed of Trust or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Deed of Trust or the Note that can be given effect without the conflicting provision. As used in this Deed of Trust, unless the context clearly requires otherwise: (a) words of the masculine gender shall mean and include corresponding neuter words or words of the feminine gender; (b) words in the singular shall mean and include the plural and vice versa; and (c) the word "may" gives sole discretion without any obligation to take any action. The captions and headings of the Sections of this Deed of Trust are for convenience only and are not to be used to interpret or define the provisions hereof.



## REQUEST FOR RECONVEYANCE

TO TRUSTEE: The undersigned is the holder of the note or notes secured by this Deed of Trust. Said note or notes, together with all other indebtedness secured by this Deed of Trust, have been paid in full. You are hereby directed to cancel said note or notes and this Deed of Trust, which are delivered hereby, and to reconvey, without warranty, all the estate now held by you under this Deed of Trust to the person or persons legally entitled thereto.

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

**LOAN ORIGINATOR ORGANIZATION:** \_\_\_\_\_ **NMLSR ID#:** \_\_\_\_\_

**INDIVIDUAL LOAN ORIGINATOR NAME:** \_\_\_\_\_ **NMLSR ID#:** \_\_\_\_\_

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(Space Below This Line Reserved for Beneficiary and Recorder)

Mortgage Lender