



**FIRST HOME CLUB<sup>SM</sup>  
SUBORDINATE MORTGAGE**

THIS MORTGAGE for First Home Club<sup>SM</sup> Funds (the "Program") is made on «close\_date» by «borw\_list» (the "Borrower") residing at «propty\_addr», «propty\_city\_name», «propty\_state\_code» to «cust\_name» (the "Lender"), maintaining offices at «hdqtr\_street\_addr», «hdqtr\_city\_state\_zip».

WHEREAS, the Lender entered the Borrower into the Federal Home Loan Bank of New York First Home Club<sup>®</sup> on «fhfb\_enroll\_date» ("Date of Enrollment Period Report") and the Federal Home Loan Bank of New York ("Bank") set-aside matching funds for downpayment, closing cost assistance and homebuyer counseling costs for the purchase of a home by the potential first-time homebuyer, the Borrower; and

WHEREAS, the Lender has determined that the Borrower meets the definition of a first-time homebuyer as defined by the Bank; and

WHEREAS, the Lender has determined that at the time of enrollment with the Lender, the Borrower had a total household income of 80% or less of the area median income for Borrower's current place of residence, adjusted for household size, as defined by the Bank and agreed upon by the Lender in the Enrollment Period Report for the Date of Enrollment; and

WHEREAS, the Borrower has established a Program savings account with the Lender and the Borrower has demonstrated a pattern of systematic savings in the dedicated account which is consistent with the agreed upon schedule and the Borrower has also completed homeownership counseling sessions, as approved by the Bank; and

WHEREAS, the Lender has received from the Borrower an executed Enrollment Terms and Conditions Statement and the Lender has submitted to the Bank the First Home Club Member Certification Statement; and

WHEREAS, the Bank committed, on «commt\_eff\_date», to issue a grant of matching funds to the Borrower and Lender.

NOW THEREFORE, the Borrower is indebted to the Lender in the principal amount of «draw\_amt» ("Subsidy Amount"), which indebtedness is evidenced by Borrower's Promissory Note dated «close\_date» (herein "Note"), due and payable on «matur\_date».

TO SECURE TO LENDER (a) the repayment of the indebtedness evidenced by the Note and all renewals, extensions and modifications thereof; (b) the payment of all other sums, with interest thereon, advanced in accordance herewith to protect the security of this Instrument; and (c) the performance of the covenants and agreements of Borrower herein contained, Borrower does hereby mortgage, grant, convey, and assign to Lender the property described below.

**MORTGAGE AS SECURITY**

1. This Mortgage is given as security for the payment of amounts due and the performance of all promises contained herewith. The Borrower mortgages the real estate owned and occupied by the Borrower described as follows:

County of «propty\_cnty\_name», and State of «propty\_state\_code», specifically described as follows:  
Property Address: «propty\_addr», «propty\_city\_name», «propty\_state\_code», «propty\_zip\_code»  
Section No.: «sect\_no» Block No.: «block\_no» Lot No.: «lot\_no»

which is more particularly described in the Legal Description of the real property, attached hereto as Exhibit A.

2. This Mortgage is subject and subordinate to mortgage(s) dated as of the date written above.

**REPAYMENT TERMS**

3. Provided there are no events of default, this Mortgage will expire on «**matur\_date**» (“Expiration Date”).

**BORROWER’S AND LENDER’S CONDITIONS AND OBLIGATIONS**

4. The Borrower agrees to meet all Program requirements during the term of this Mortgage. The Borrower hereby acknowledges and agrees that the Subsidy Amount represents a reduction in the Borrower’s downpayment and/or closing costs for the acquisition of a property within the Lender’s lending area. If the proceeds from the Subsidy Amount are used for the purposes approved under this Program, the loan will be forgiven by the Expiration Date of this Mortgage and no payments will be due on the Subsidy Amount.
5. In the event any of the proceeds of the Subsidy Amount are not, or cease to be, used for said purposes, the proceeds must be repaid to the Lender as stated in the Recapture Obligation section of this Mortgage (paragraphs 7 through 9).
6. The Lender and Borrower agree to notify the Bank if the Borrower sells the property, which may constitute an event of default hereunder.

**RECAPTURE OBLIGATION - EVENTS OF DEFAULT**

7. The Borrower and Lender agree that the Subsidy Amount will only be used for the purpose approved under the Program, *i.e.*, downpayment, closing costs and homebuyer counseling costs for the purchase of a home by the Borrower. The Borrower and Lender acknowledge that if the Bank determines by its own monitoring or the Bank is informed by the Lender that the First Home Club funds will not be or are no longer being used for the purposes approved by the Bank (“Event of Noncompliance”), a *pro rata* portion of the Subsidy Amount must be repaid.
8. Borrower agrees to repay to the Lender a *pro rata* portion of the Subsidy Amount (“Recapture Obligation”), if the Subsidy Amount is not used for the purposes approved under the Program or if the property does not remain affordable during the term of this Mortgage (“Recapture Period”). If the property is sold to a homebuyer whose income exceeds 80% of the area median income, in which the property is located, adjusted for household size, as defined under the Program and agreed upon by the Lender in the Enrollment Period Report for the Date of Enrollment, the Lender is entitled to recapture a *pro rata* portion of the Subsidy Amount from the Borrower. Recapture of the matching funds will occur if the property is sold to a homebuyer whose income exceeds 80% of the area median income in which the property is located, adjusted for household size, as defined under the Program and agreed upon by the Lender in the Enrollment Period Report for the Date of Enrollment, within the five (5) year term of this Note and Mortgage. The foregoing notwithstanding, one-sixtieth (1.67% percent) of the Principal will be forgiven for each month of the term that has passed for which Borrower is in compliance.
9. The Subsidy Amount may be assumed by an eligible homebuyer, as defined and limited to a household with an income that does not exceed 80% of the area median income in which the property is located, adjusted for family size, as defined under the Program.
10. If an Event of Noncompliance occurs, the Lender shall recapture a *pro rata* portion of the Subsidy Amount by taking the following actions:
  - a) The Lender shall request that the Borrower promptly reimburse the Lender for such amount.
  - b) In the event the Borrower fails to repay, the Lender shall commence foreclosure proceedings against its lien on the home purchased by the Borrower. Any payments realized from the foreclosure proceedings shall satisfy the Borrower’s obligation. The Borrower agrees to pay all costs and any attorneys’ fees in the event the Lender must refer this matter to an attorney for collection and/or for foreclosure of this mortgage.
  - c) The Borrower agrees to keep the property fully insured against loss by fire, hazard, flood and the insurance policies shall include a standard mortgagee clause in favor of Lender.

**TERMS OF REFINANCING**

10. It shall be an event of default in the case of a refinancing, which includes home equity loans, prior to the end of the retention period, in which event, an amount equal to the *pro rata* share of the direct subsidy that financed the purchase of the property, reduced one-sixtieth (1.67% percent) for each month of the term occupying household has owned the unit, *unless* the property continues to be subject to a deed restriction or other legally enforceable retention agreement or mechanism pursuant to the Affordable Housing Program regulations.

**ACKNOWLEDGEMENT**

11. The Borrower acknowledges that the Program funds are not federal funds and that the Subsidy Amount is subject to the terms and conditions of this Mortgage and the Rules and Regulations of the Federal Housing Finance Board - 12 C.F.R. Part 951 ("Regulations"), as the same may be amended from time to time.
12. The Borrower agrees to the terms and conditions of this Mortgage and certifies that its representations and warranties contained herein and in its Enrollment Period Report are true and accurate as of the date of this Mortgage. The Borrower further represents and warrants that it will fully comply with the Regulations.
13. By executing this Mortgage in the space indicated below, the Borrower fully understands and agrees to the terms and conditions contained herein. The Borrower acknowledges that Borrower must satisfy all terms and conditions contained pursuant to this Mortgage.
14. The Borrower agrees to be responsible for all taxes (including, but not limited to, reporting and payment) arising from Borrower's receipt of First Home Club funds.
15. The terms of this Mortgage supersede terms contained in any prior documentation which pertain to the matters covered herein.
16. The Borrower acknowledges receipt of a true copy of this Mortgage at no charge.
17. This Mortgage shall be governed by federal law and the law of the state where the property is located.

*Remainder of page intentionally left blank*

IN WITNESS WHEREOF, the undersigned Borrower executes this Mortgage on the day and year first above written:

WITNESS:

\_\_\_\_\_  
Borrower - «**primy\_borw\_first\_name**» «**primy\_borw\_last\_name**»

\_\_\_\_\_  
Borrower - «**primy\_borw\_last\_name**»

STATE OF \_\_\_\_\_, COUNTY OF \_\_\_\_\_ ss.:

On «**close\_date**», before me, the undersigned, a Notary Public in and for said State, personally appeared «**borw\_list**», personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he executed the same in her/his/their capacity, and that by her/his/their signature on the instrument, the individual(s) or the person(s) upon behalf of which the individual acted, executed the instrument.

\_\_\_\_\_  
Notary Public

My Commission Expires:

**Exhibit A**

**LEGAL DESCRIPTION**