

EXHIBIT F

2580-AA01

FHA's HOPE for Homeowners Program:

U.S. Department of Housing and Urban Development
Office of Housing
Federal Housing Commissioner
OMB Approval No. -----(Exp. -----)

Understanding Key Provisions of Appreciation Sharing

- Loans made under the FHA's HOPE for Homeowners (H4H) Program include a requirement that the borrower share future property appreciation with HUD. As an existing subordinate mortgage lien holder, you may be eligible to receive an interest in any future appreciation actually received by HUD at the time the property is sold.

You must fully release all liens against the property and release all claims against the borrower related to your mortgage loan to the borrower.

Determining the Appreciation Share

During underwriting of the H4H loan, the originating lender will calculate future appreciation interest amount for each subordinate lien holder's election according to the procedures below. The lender will:

- Request pay off statements identifying the total principal and interest due each existing mortgage lien holder.
- Add the unpaid principal and interest of liens held by each subordinate mortgage lien holder and all holders with liens senior to that subordinate lien holder (as of the first day of the month in which the borrower has made application) to determine the cumulative outstanding debt relevant to that lien holder.
- Divide the cumulative debt by the new appraised value to determine a cumulative combined loan-to-value (CLTV) relevant to that lien holder.

Cumulative CLTV Illustration

Amount Owed	1 st Lien P&I	2 nd Lien P&I	3 rd Lien P&I	Total P&I
Principal (P)	158,500	20,000	40,000	218,500
Accrued Interest (I)	10,900	2,200	4,400	17,500
Total P&I	169,400	22,200	44,400	236,000
Cumulative P&I as a % of Current Appraised Value of \$150,000	112.9%	127.8%	157.3%	

Using the matrix below, the lender will calculate the future maximum future appreciation interest amount for each subordinate mortgage lien holder by multiplying the amount of that lien holder's write-off by the percentage factor in the matrix.

Subordinate Lien Appreciation Matrix

Subordinate Lien Holder	Percent of Unpaid Principal and Interest that Lien Holder is Eligible to Receive *
Cumulative CLTV >135%	9%
Cumulative CLTV ≤135%	12%

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* As discussed below, a future appreciation payment to a subordinate mortgage lien holder will depend on actual appreciation at the time of sale or other disposition of the property and the aggregate of such payments will be limited by the amount HUD receives from its interest in the future appreciation of the property. Payment will be made according to the subordinate mortgage lien holder's position of priority in relation to the property at the time the H4H mortgage is originated.

Future Payment Example

Assume that at the sale or other disposition of the property, referenced above in the Cumulative CLTV Illustration, the difference between the property's appraised value at origination of the H4H loan and the net sale proceeds resulted in \$20,000 of appreciation. HUD is entitled to 50% of this appreciation (\$10,000) and will share it with subordinate mortgage lien holders as follows:

- The second mortgage lien holder has a CLTV of 127.8%. Because the CLTV is less than 135% of the current appraised value, the second lien holder is entitled to receive 12% of its total write off of \$22,200, for a maximum payment of \$2,664. From HUD's \$10,000 share, the second lien holder receives the first **\$2,664**.
- The third mortgage lien holder has a CLTV of 157.3%. Because the CLTV is more than 135% of the current appraised value, the third lien holder is entitled to receive 9% of its total write off of \$44,400, for a maximum payment of **\$3,996**.
- HUD retains the balance of **\$3,340** (**\$2,664 + \$3,996 + \$3,340 = \$10,000**).

* In this example, it is assumed that the borrower made no capital improvements to the property prior to sale and all subordinate mortgage holders were eligible and elected to receive a share in future appreciation. Please see Mortgagee Letter for further information.

Appreciation Sharing Terms and Conditions

- Only the holders of subordinate "mortgage" liens that were originated before January 1, 2008 are eligible for appreciation sharing.
- Subordinate mortgage lien holders whose total principal and interest write off is less than \$2,500 are not eligible for appreciation sharing.
- Only mortgage principal and note rate interest may be included in the amount used to calculate appreciation share. No other costs, fees, or expenses advanced on behalf of the borrower are allowed.
- Interest cannot be accrued at a default rate of interest, but must be the contract rate in effect prior to the default.
- The lien holder must fully release the borrower from the debt and may not have any side agreements with the borrower for repayment that survive the date of settlement of the new loan.
- At settlement, subordinate lien holders will receive a certificate that evidences the future appreciation of the mortgaged property, with payment conditional on the value of HUD's appreciation share.
- Future appreciation distributions will be made only upon sale or disposition of the property, which could be many years in the future. There is no provision for forcing an earlier sale or distribution.
- **The future appreciation interest involves risk.** In the event that there is only a modest increase or a decrease in a property's value there may be insufficient future appreciation available for distribution to any or all subordinate mortgage liens holders, in which case they will have no recourse against the Government or the borrower.

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FHA's HOPE for Homeowners Program:
Appreciation Sharing Worksheet and Certification

U.S. Department of Housing and Urban Development
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Borrower Name(s) _____
 Property Address _____
 Originating Lender Name _____
 FHA Case Number _____
 Subordinating Lender / Lien position _____
 Appraised Value / Appraisal Date _____

Amount Owed	1 st Lien P&I	2 nd Lien P&I	3 rd Lien P&I	Total P&I
Principal (P)				
Accrued Interest (I)	+ _____	+ _____	+ _____	+ _____
Total P&I	= _____	= _____	= _____	= _____
Cumulative P&I as a % of Current Appraised Value (AV)				Current AV

Future Payment _____ x _____ = \$ _____
 Total P&I Write Off Matrix % Maximum Future Payment

By signing below, the undersigned certifies that the statements and information contained herein are true and correct. On behalf of _____, the undersigned subordinate mortgage lien holder certifies that it will release in full all mortgages secured by the subject property in exchange for an Interest in Future Appreciation in the subject property to be paid from HUD's share of said appreciation, if any, in an amount not to exceed \$ _____.

 Subordinate Lien Holder Authorized Signature / Title Date

 Originating Lender Authorized Signature / Title Date

Warning: It is a crime to knowingly make false statements to the United States on this or any other similar form. Penalties upon conviction can include a fine and imprisonment. For details, see: Title 18 U.S. Code Sections 1001 and 1010. False statements may also be the basis for civil and/or administrative penalties. For details, see: Title 31 U.S. Code Sections 3729 et seq., and 3801 et seq., as well as 12 U.S. Code Section 1735f-14.