

MUTUAL OPERATIONS**CONTRACTUAL OBLIGATIONS****Regulatory Agreement – Except Mutual Five, Fourteen, Sixteen****A. Legal Basis**

The Regulatory Agreement (FHA Form 3225) is an agreement between a Mutual (Mortgagor) and the Federal Housing Commissioner. In order to obtain mortgage insurance pursuant to Section 213 of Title II of the National Housing Act, and obtain the endorsement of Commissioner on the note, a Mortgagor must consent to be regulated and restricted by the terms of a Regulatory Agreement.

B. Basic Terms

1. Mutual to make all mortgage payments promptly.
2. Mutual to maintain a fund for replacements (see Replacement Fund).
3. Mutual to establish and maintain a General Operating Reserve (see Operating Reserve).
4. Mutual to establish and collect monthly carrying charges in accordance with a schedule filed with and approved by FHA.
5. Prior written approval of FHA required for Mutual to:
 - a. Sell, assign, transfer, dispose of or encumber any real or personal property.
 - b. Remodel, reconstruct, demolish or subtract from the premises.
 - c. Permit occupancy of any dwelling except at charges fixed by the schedule of charges.
 - d. Permit occupancy of a dwelling except by members of the corporation.
 - e. Consolidate, merge or go into voluntary liquidation.
 - f. Fail to establish and maintain the Replacement and General Operating Fund.
 - g. Incur liabilities which will at any time exceed 1% of the insured mortgage amount.
 - h. Fail to provide for the management in a manner approved by the Commissioner.

(Apr 18)

MUTUAL OPERATIONS**CONTRACTUAL OBLIGATIONS****Regulatory Agreement – Except Mutual Five, Fourteen, Sixteen**

- i. Invest any funds of the corporation in any property, real, personal or mixed, except obligations of, or fully guaranteed as to principal by, the United States of America.
6. Mutual shall not pay any compensation to its officers, directors or stockholders. No officer, director, stockholder, agent, or employee of the Mortgagor shall in any manner become indebted to the Mortgagor, except on account of approved occupancy charges.
7. Mortgagor shall maintain its project, the grounds, buildings, and equipment appurtenant thereto, in good repair and in such condition as will preserve the health and safety of its occupants.
8. The Mortgagor, its property, equipment, buildings, plans, office, apparatus, devices, books, contracts, records, documents and papers shall be subject to inspection and examination by the Commissioner or his duly authorized agent at all reasonable times.
9. The books and accounts of the Mortgagor shall be kept in accordance with the Uniform System of Accounting prescribed by the Commissioner. The Mortgagor shall file with the Commissioner and the Mortgagee the following reports verified by the signature of such officers of the Mortgagor as may be designated and in such form as may be prescribed by the Commissioner:
 - a. Monthly or quarterly operating reports when required by the Commissioner.
 - b. Semi-annual financial statement within 60 days after the semi-annual period when required by the Commissioner.
 - c. Annual reports prepared by a certified public accountant or other person acceptable to the Commissioner within 60 days after the end of each fiscal year.
 - d. Specific answers to questions upon which information is desired from time to time relative to the operation and condition of the property and the status of the Mortgage.
 - e. Copies of minutes of all stockholders' meetings certified by the secretary of the Mortgagor within 30 days after such meetings, and when required by the Commissioner, copies of minutes of directors' meetings.

(Apr 18)

MUTUAL OPERATIONS**CONTRACTUAL OBLIGATIONS****Regulatory Agreement – Except Mutual Five, Fourteen, Sixteen**

10. The Mortgagor shall not execute or file for record any instrument which imposes a restriction upon the sale, leasing or occupancy of the property subject to the insured mortgage, or any part thereof, on the basis of race, color or creed.
11. No litigation seeking the recovery of a sum in excess of \$3,000 nor any action for specific performance or other equitable relief shall be instituted nor shall any claim for a sum in excess of \$3,000 be settled or compromised by the Mortgagor unless prior written consent thereto has been obtained from the Commissioner. Such consent may be subject to such terms and conditions as the Commissioner may prescribe.
12. The Mortgagor agrees to observe and perform each and every one of the covenants and provisions required to be observed and performed under or pursuant to the terms of the Mortgage.
13. The Mortgagor shall not file any petition in bankruptcy, or for a receiver, or in insolvency, or for reorganization or composition, or make any assignment for the benefit of creditors or to a trustee for creditors, or permit an adjudication in bankruptcy, or the taking possession of the mortgaged property or any part thereof by a receiver, or the seizure and sale of the mortgaged property or any part thereof under judicial process or pursuant to any power of sale.
14. Upon a violation of any of the above provisions of this Agreement by the Mortgagor, the Commissioner may give written notice thereof to the Mortgagor, by registered or certified mail, addressed to the addressees stated in this Agreement. If such violation is not corrected to the satisfaction of the Commissioner within 15 days after the date such notice is mailed, or within such additional period of time as is set forth in the notice, or where the Mortgagor proceeds immediately and diligently, within such further time as the Commissioner determines is necessary to correct the violation, without further notice the Commissioner may declare a default under this Agreement.
15. As security for the payment due under this Agreement for the Reserve Fund for Replacements, and to secure the Commissioner because of his liability under the endorsement of the Note for insurance, and as security for the other obligations under this Agreement, the Mortgagor assigns, pledges and mortgages to the Commissioner its rights to the rents, profits, income and charges of whatever sort which it may receive or be entitled to receive from the operation of the mortgaged property, subject, however, to any assignment of rents in the insured mortgage referred to herein;

(Apr 18)

MUTUAL OPERATIONS**CONTRACTUAL OBLIGATIONS****Regulatory Agreement – Except Mutual Five, Fourteen, Sixteen**

provided, however, that permission is granted to the Mortgagor to collect and retain under the provisions of this Agreement the rent, profits, income and charges, during any such period or periods of time for which the Commissioner has not declared a default. Upon declaration by the Commissioner of a default, the said permission is terminated and shall not be deemed to be reinstated until the Commissioner has declared the default to be cured.

16. Mortgagor agrees that there shall be full compliance with the provisions of (1) any state or local laws prohibiting discrimination in housing on the basis of race, color, creed or national origin, and (2) with the Regulations of the Federal Housing Administration providing for non-discrimination and equal opportunity in housing. It is understood and agreed that failure or refusal to comply with any such provisions shall be a proper basis for the Commissioner to take any corrective action he may deem necessary including, but not limited to, the rejection of future applications for FHA mortgage insurance and the refusal to enter into future contracts of any kind with which the Mortgagor is identified, and further, if the Mortgagor is a corporation or any other type of business association or organization which may fail or refuse to comply with the aforementioned provisions, the Commissioner shall have a similar right of corrective action (1) with respect to any individuals who are officers, directors, trustees, managers, partners, associates, or stockholders of the Mortgagor, and (2) with respect to any corporation or any other type of business association or organization with which the officers, directors, trustees, managers, partners, associates or stockholders of the Mortgagor may be identified.
17. The covenants and agreements herein set out shall be deemed to run with the land herein described so long as there is a mortgage on said property insured or owned by the Commissioner and to bind any future purchasers of the real property or any part thereof.
18. This instrument shall bind, and the benefits shall inure to, the respective parties hereto, their legal representatives, executors, administrators, successors in office or interest, and assigns.
19. The invalidity of any clause, part or provision of this Agreement shall not affect the validity of any the remaining portions thereof.
20. The Mortgagor agrees and assumes the obligation to have this Agreement recorded in the appropriate land records in the jurisdiction in which the real property herein

(Apr 18)

MUTUAL OPERATIONS**CONTRACTUAL OBLIGATIONS****Regulatory Agreement – Except Mutual Five, Fourteen, Sixteen**

described is situated; and in the event of failure to do so, it is agreed that the Commissioner may have the same recorded at the expense of the Mortgagor.

21. It is specifically agreed between the parties hereto that the breach of any of the terms of this Agreement by the Mortgagor will substantially damage and injure the Commissioner in the proper performance of his duties under the provisions of the Act, and will impede and injure the proper operations intended under such Act; that such damage will be irrespective of and in addition to any damage to the security of the mortgaged premises or to any financial damage the Commissioner may suffer as insurer; that, except for the agreements herein contained, the Commissioner would not issue and would not be authorized to issue his Contract of Mortgage Insurance, and that the Mortgagee would not lend the sum above-mentioned on the security of the said Mortgage unless the same were insured by the Commissioner.

AMENDMENTS

MUTUAL 14: Rescinded 02-20-18
MUTUAL 16: Rescinded 11-07-17
MUTUAL 5: Rescinded 04-18-18

(Apr 18)