

**CITY OF CHICAGO
SINGLE-FAMILY MORTGAGE CREDIT CERTIFICATE PROGRAM
SERIES 2010**

LENDER PARTICIPATION AGREEMENT

THIS LENDER PARTICIPATION AGREEMENT (this "Agreement") made and entered into on this ____ day of _____, 2010, by and between the City of Chicago (the "City") acting through its Department of Community Development ("DCD") and _____ (the "Lender")

Having its principal place of business at:

WITNESSETH:

WHEREAS, the Internal Revenue Code of 1986, as amended (the "Code"), provides for the creation of a mortgage credit certificate program to assist qualified individuals to acquire, rehabilitate and/or improve new and existing single-family housing (comprised of one to four living units) by providing qualified homebuyers with a Mortgage Credit Certificate ("MCC"); and

WHEREAS, by an ordinance adopted on March 10, 2010 (the "Ordinance"), the City has established its Single-Family Mortgage Credit Certificate Program, Series 2010 (the "MCC Program"); and

WHEREAS, the Lender wishes to participate in the MCC Program;

NOW, THEREFORE, in consideration of the foregoing, the parties hereto agree as follows:

1. The Lender acknowledges that it has received from the Department of Community Development a copy of the MCC Program Administration Procedures attached hereto (the "Program Description"), has reviewed the Program Description and understands the Program Description.
2. The Lender has been presented with and has reviewed the requirements under the Code for a potential homebuyer to qualify for the MCC Program. The Lender certifies that its policies and procedures for underwriting a mortgage loan for owner-occupied single family residences (containing one to four living units) are not in conflict with the requirements of the MCC Program, the Code or the Treasury Regulations promulgated thereunder (the "Regulations").

3. The Lender is duly organized and validly existing and in good standing under the laws of the state of its organization and/or the United States, as applicable, is in good standing and authorized to do business in the State of Illinois and has the power and authority to execute, deliver and perform its duties under this Agreement. The Lender agrees that, so long as this Agreement is in effect, it will continuously maintain its existence and remain in good standing and qualified to do business under the laws of the state of its organization and/or the United States, as applicable, and qualified to do business in the State of Illinois. The Lender acknowledges the authorization to do business pursuant to a license issued by the Illinois Department of Financial and Professional Regulation and /or the Federal Deposit Insurance Corporation which current license numbers are as follows:

ILDFPR No.: _____ . N/A: _____ .

FDIC No.: _____ . N/A: _____ .

4. The Lender has obtained all approvals necessary to execute, deliver and perform its duties under this Agreement. The execution and delivery hereof and performance by the Lender hereunder do not and shall not result in a breach of any terms, conditions or provisions of any legal restriction, agreement or instrument to which the Lender is a party.
5. The Lender will not take any action or permit to be taken any action which is within its control which would impair the MCC Program or any MCC.
6. The Lender shall make available to potential homebuyers information about the MCC Program in conjunction with information concerning the Lender's mortgage loan programs. The Lender must credit the City of Chicago and DCD in all material, whether print, radio, or television, which the Lender uses to publicize MCC, in the following form: "The Mortgage Credit Certificate Program is made available through the City of Chicago's Department of Community Development". The credit must be clearly legible in print documents.
7. The Lender agrees to receive and process applications from potential homebuyers for MCCs under the MCC Program (the "Applicants"). The Lender will process each application and determine the Applicant's eligibility for the MCC Program. The Lender will not refuse to review any completed application and will not reject an application for reasons other than those permitted herein. All applications shall be reviewed and either approved or rejected by the Lender on a "first come, first served" basis unless otherwise directed by DCD pursuant to Section 17 of this Agreement.
8. The Lender agrees to obtain from each Applicant all relevant applicant affidavits (each referred to an "Applicant Affidavit") evidencing compliance with the Code and the Regulations. The Lender agrees to conduct such investigation(s) as necessary to certify that each Applicant has satisfied all requirements of the MCC Program, the Code and the Regulations. Any misrepresentation contained in an Applicant Affidavit shall be grounds for the rejection of an MCC.¹

9. The Lender acknowledges that certain information is required to be provided to the Internal Revenue Service (the "IRS") pursuant to Section 1.25-4T and Section 1.25-8T of the Regulations. Information necessary to comply with these reporting requirements is determined, in part, from each Applicant and records maintained by the Lender. The Lender agrees to file with the IRS on or before January 31 of each year (or such other date as may be set forth in the Regulations) a report in compliance with Section 1.25-8T of the Regulations. In addition, the Lender hereby agrees to collect and deliver to DCD, not later than the fifteenth day of each April, July, October and January while this Agreement is in effect, all information within the control of the Lender which is required to comply with the reporting requirements of the Regulations. The Lender hereby agrees, further, to comply with all data and record retention and all reporting requirements applicable to the MCC Program which are required by the Code, the Regulations and the Program Description. The Lender shall keep all such records during the period each MCC is in effect and for a period of two years thereafter.
10. The Lender hereby agrees to provide the City with each original Application Affidavit and a copy of each mortgage loan application in connection with the MCC Program.
11. The Lender agrees that the City and the City's representatives have the right to examine and inspect, during normal business hours, all books and records in Lender's possession relating to any MCC and the MCC Program.
12. The Lender may charge an Applicant a reasonable and customary fee as would be charged to a potential borrower applying for mortgages other than in connection with an MCC. The Lender shall also charge an Applicant a fee (the "Program Fee") of not less than \$225 and not more than \$375 for processing each application of an MCC. Of the Program Fee, not more than \$150 is due at the time of application and shall be retained by the Lender. All or part of the Lender's portion of the Program Fee may be waived by the Lender. \$225 of the Program Fee shall be remitted to DCD prior to the issuance of an MCC in the form of a lender's check, title company check, money order or cashier's check payable to the "City of Chicago Department of Community Development." The Lender represents that, taking into account all the facts and circumstances, the portion of the Program Fee payable to the Lender is reasonably necessary to cover the administrative costs, including profit, of the Lender in connection with its acting as a party hereunder.
13. The Lender hereby agrees that it will immediately forward to DCD all information which the Lender receives during the term of each MCC which information indicates that a misrepresentation was made in applying for an MCC or which may affect the continued eligibility of an Applicant for an MCC. Any misrepresentation in the Application or in the Applicant Affidavit shall result in revocation of an MCC.
14. In the case of each Applicant, the Lender will comply with all applicable federal, state and local laws, ordinances and regulations with respect to equal opportunity and non-discrimination and, in so doing, will not arbitrarily vary the terms of an MCC or the application procedures therefore or refuse to review or approve an MCC because of race, color, religion, national origin, disability, ancestry, age (provided the applicant has legal capacity to enter into a contract), sex, sexual orientation, marital status, parental status, military discharge status or

source of income or the fact that all or part of the Applicant's income derives from any public assistance program or the fact that the Applicant has in good faith exercised any right under the Federal Consumer Protection Act.

15. The Lender covenants to comply in all respects with provisions of Section 25 of the Code, the Regulations, the Ordinance, the Program Description and the Mayor's Executive Order 05-01 (which prevents anyone owning seven and one-half percent (7.5%) or more of a City contractor from contributing to the mayor or his political fund-raising committee during the contract term).
16. The Lender agrees that in connection with the issuance of MCCs, the Lender shall use all documents provided by DCD as necessary to evidence compliance with the Code, the Regulations, the Ordinance and the Program Description. The Lender agrees it will execute and deliver to DCD a certificate in a form satisfactory to the City evidencing the Lender's compliance with the Code, the Regulations, the Ordinance and the Program Description.
17. The Lender acknowledges that DCD may, in its discretion, amend certain provisions of the Program Description, including, but not limited to, (a) modifying the Certificate Credit Rate (as defined in the Code) and (b) further restricting the types and/or locations of residences for which MCCs are issued, in accordance with the goals of the Program. The Lender will abide by such changes upon receipt of notice from DCD.
18. The Lender acknowledges that the limitations on (a) the annual gross income of homebuyers that participate in the MCC Program and (b) the purchase price of a home financed under the MCC Program, both of which are mentioned in the Program Description, are subject to adjustment. The Lender will abide by such adjustments and changes to the income and purchase price limitations upon receipt of notice from DCD.
19. The Lender agrees that it shall be an "event of default" hereunder if any of the following occurs: (a) failure by the Lender to observe or perform in any material respect any covenant, condition or agreement contained herein; (b) the filing or acquiescence by the Lender in the filing of any bankruptcy proceedings in a court of competent jurisdiction; (c) failure by the Lender to pay the City, when due, the portion of the Program Fee to be paid by the Lender; or (d) a determination that any representation or warranty by the Lender in this Agreement shall have been false in any material respect when made.
20. Upon an event of default, the City may immediately terminate any rights, duties and obligations of the Lender hereunder and/or take whatever other action at law or in equity which the City deems necessary to enforce performance and observance of any duties, obligations, agreements or covenants of the Lender hereunder.
21. This Agreement shall remain in full force and effect until the earlier of termination by the City or December 31, 2012, unless extended in writing by the parties. In addition to the remedies set forth in the preceding paragraph, the Lender or the City may terminate this Agreement, without cause, upon 60 days' written notice to the other party. Notwithstanding any such termination, the Lender shall continue to file any and all reports required to be filed by it with

the City or the IRS and to maintain all records required to be maintained by it pursuant to Section 25 of the Code and the Regulations for such time as an MCC remains in effect with respect to any mortgage loan made by the Lender. No amendment to this Agreement shall be effective unless in writing and signed by both parties hereto.

22. This Agreement shall be governed by the internal laws of the State of Illinois without regards to its conflict of law principles.

22. Is the Lender a mortgage broker that is arranging for a second party to advance the actual funds to be used by successful applicants?

_____ Yes _____ No

If the Lender responds yes to the question above then, by entering into this Agreement pursuant to the signature below, Lender agrees to either: **A.** act as the agent for the party advancing the funds in performing all duties of the Lender as required hereunder and give said party a copy of this Agreement as evidence of said duty, or **B.** to have said party enter into an original counterpart of this Agreement and deliver said original counterpart to the City.

THIS AGREEMENT is entered into as of the day and year written above.

Lender: _____

**CITY OF CHICAGO, ACTING THROUGH ITS
DEPARTMENT OF COMMUNITY DEVELOPMENT**

By: _____

BY: _____

**ACTING COMMISSIONER
DEPARTMENT OF COMMUNITY DEVELOPMENT**

Title: _____

Address: _____

Contact: _____

Telephone: _____

**CITY OF CHICAGO
DEPARTMENT OF COMMUNITY DEVELOPMENT
TAXSMART MORTGAGE CREDIT CERTIFICATE PROGRAM**

SERIES 2010

Program Information – Program Description

General Description

The City of Chicago’s TaxSmart Program is a Mortgage Credit Certificate (MCC) program (the “Program”). The Program offers a tax savings to a first time Homebuyer or to a purchaser of a home located in a "target" area by providing a credit against the Homebuyer's federal income tax. The amount of the credit is limited to 20% of the interest paid or accrued on the home loan. The credit can be claimed each year that the Homebuyer holds the mortgage loan and uses the home as their primary residence. MCCs can also be issued for Home Improvement Loans or Rehabilitation Loans. Under the Rehab or Home Improvement loan program, the amount of the credit is limited to 50% of the interest paid or accrued on the home loan up to \$2,000 per year. The credit can be claimed each year that the Homebuyer holds the mortgage loan and uses the home as their primary residence.

The Homebuyer can apply for the mortgage credit certificate (an “MCC”) in conjunction with a TaxSmart mortgage loan from a participating lender. The Homebuyer will be charged a \$375 application fee of which, \$225 is due at closing to the Department of Community Development.

All Homebuyers with down payments of less than 5% of the sales price must attend a Homebuyer Training and Property Management Training for all purchasers of 2 to 4 unit buildings. All Homebuyers not purchasing new construction or condo units must arrange for an inspection of the property s/he is planning to purchase.

Eligible Housing

Residential properties consisting of one to four units are eligible for purchase under the TaxSmart Program. The property purchased may be a rental building, condominium, townhouse, or single-family home. If the building contains 2-4 units, one unit must be occupied by the owner. Or for Rehab or Home Improvement Loans the home must be owner occupied.

Household Eligibility Requirements

The Homebuyer may not have had ownership interest in his/her primary residence for the past three years, unless the home being **purchased is located in a "target" area**. The current (2010) Homebuyer income and home purchase price limits are listed below:

Income Limits	Non-Target Area	Target Area
One Person Household	\$60,320	\$72,384
Two Person Household	\$75,400	\$90,480
Three or More Person Household	\$86,710	\$105,560

Purchase Price Limits*	Non-Target Area		Target Area	
	Existing	New Construction	Existing	New Construction
One Unit	\$325,984	\$325,984	\$398,315	\$398,315
Two Unit	\$367,060	<i>Ineligible</i>	\$448,629	\$448,629
Three Unit	\$445,960	<i>Ineligible</i>	\$545,063	<i>Ineligible</i>
Four Unit	\$514,570	<i>Ineligible</i>	\$628,919	<i>Ineligible</i>

****These limitations are periodically adjusted and do not apply to mortgage credit certificates issued with respect to qualified home improvement loans.***

Program Administration

The City of Chicago Department of Community Development (DCD) will make the final review and approval of TaxSmart applications. DCD issues approval letters and MCC certificates to the participating lenders for approved loans.

The City maintains a list of lenders who participate in the TaxSmart program. A participating lender determines Homebuyer eligibility based on standard underwriting criteria. The lender collects a \$375 program fee per application from Homebuyers, of which the lender keeps \$150. The lender submits applications, supporting documentation and the remaining \$225 of the application fee to DCD (the DCD application fee is due at loan closing). Lenders must forward MCC certificates for approved loans from DCD to the Homebuyer.

The Homebuyer is responsible for submitting completed application documents along with the \$375 program fee to the participating lender.

Lenders must credit the City of Chicago and DCD in all materials, whether print, radio, or television, that publicize MCC. The credit must read as follows: “The TaxSmart Program is made available through the City of Chicago’s Department of Community Development”. The credit must be clearly legible in all print documents.

Compliance

DCD submits quarterly and annual reports to the Internal Revenue Service for all MCC certificates issued. *In addition*, the lending institution and home buyer must submit their own documentation to the Internal Revenue Service for TaxSmart loans. Both the lender and the Homebuyer must maintain their own records and documentation for this purpose.

The Homebuyer may not finance a residence purchased using TaxSmart with proceeds of a qualified mortgage bond nor a qualified veteran's mortgage bond. For example, the TaxSmart Program may not be used with DCD’s City Mortgage or with the Illinois Housing Development Authority’s First Time Homebuyer program. The homebuyer must use a home purchased using an MCC as his/her primary residence. The Homebuyer may be subject to recapture if the residence is sold within nine years of the mortgage loan closing.