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This document prepared by
and when recorded return to:

Neighborhood Lending Services, Inc.
747 North May Street
Chicago, Illinois 60622

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REGULATORY AGREEMENT

THIS REGULATORY AGREEMENT entered into and effective this August 4, 2000 (this "Regulatory Agreement"), by and between Neighborhood Lending Services, Inc. an Illinois not-for-profit corporation ("NLS") on behalf of the City of Chicago, Illinois (the "City"), an Illinois municipal corporation, and Patricia A. Simmons, a married woman (the "Borrower").

LEGAL DESCRIPTION: Lot 3 and Lot 4 (except the South 15.3 Feet of said Lot 4) in Hugh Lauder's Subdivision of Lot 8 in Block 5 in A. O. Taylor's Addition to Pullman in the East 1/2 of the Southeast 1/4 of the Southwest 1/4 and the West 1/2 of the West 1/2 of the West Quarter of the Southeast 1/4 of Section 21, Township 37 North, Range 14, East of the Third Principal Meridian in Cook County, Illinois

ADDRESS COMMONLY KNOWN AS: 11838 S. Stewart, Chicago, IL 60628

PERMANENT INDEX NO.: 25-21-335-021-0000

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W I T N E S S E T H

WHEREAS, the City has received from the United States Department of Housing and Urban Development ("HUD") an allocation of HOME Investment Partnership Program ("HOME Program") grant funds pursuant to the Cranston-Gonzalez National Affordable Housing Act, 42 U.S.C. Section 12701 et seq., as amended, supplemented and restated from time to time, which authorizes HUD to make funds available to participating jurisdictions to increase the number of families served with decent, safe, sanitary and affordable housing and to expand the long-term supply of affordable housing, through, among other things, acquisition, new construction, reconstruction and moderate and substantial rehabilitation; and

WHEREAS, the City has entered that certain Master Program Agreement for Chicago Home Ownership Program 3 (the "CHOP 3 Agreement") dated May 15, 1998, by and among the City, NLS and Neighborhood Housing Services of Chicago, Inc.; and

WHEREAS, pursuant to the CHOP 3 Agreement, NLS has agreed to loan or grant certain HOME Program funds in accordance with the CHOP 3 Agreement to increase the number of families served with decent, safe, sanitary and affordable housing and to expand the long-term supply of affordable housing; and

WHEREAS, NLS intends to HOME Program funds under the CHOP 3 Agreement to provide certain financial assistance (the "CHOP 3 Assistance") to the Borrower, in the forms and amounts as described on Exhibit B attached hereto in connection with the Project (as legally described herein and as further defined on Exhibit B); and

WHEREAS, the Borrower will use the CHOP 3 Assistance in connection with the acquisition and/or rehabilitation of the Project; and

WHEREAS, as a specific condition precedent to the Borrower receiving the CHOP 3 Assistance, the Borrower has agreed to execute this Regulatory Agreement with NLS governing the use of the Project;

NOW, THEREFORE, in consideration of the mutual promises and covenants hereinafter set forth, and of other valuable consideration, the Borrower and NLS each agree as follows:

SECTION 1 DEFINITIONS AND INTERPRETATIONS.

Additional definitions on Exhibit B hereto are hereby incorporated in this Section 1 by reference.

The following terms shall have the respective meaning assigned to them in this Section 1 unless the context in which they are used clearly requires otherwise:

"Annual Report" shall mean the report from the Borrower in substantially the form set forth in Exhibit F attached hereto and hereby made a part hereof, as the same may be amended from time to time.

"Borrower" shall mean, initially, Patricia A. Simmons, an unmarried woman, and at any subsequent time of reference, the Person or Persons, if any, who shall succeed to the legal or beneficial ownership of all or any part of the Project, including a Homebuyer.

"Borrower Documents" shall mean collectively all agreements, instruments and documents executed and delivered to NLS previously, now or hereafter by, on behalf of or for the benefit of the Borrower in connection with the Project including, but not limited to, the Mortgage, the Note, the Application and any additional documents delivered by the Borrower in connection with the CHOP 3 Assistance, all as from time to time amended, supplemented and restated.

"Business Day" shall mean a day on which banks in the City of Chicago, Illinois, are not authorized or required to remain closed and which shall not be a public holiday under the laws of the State or any ordinance or resolution of the City of Chicago, Illinois.

"CHOP 3 Agreement" shall mean that certain Master Program Agreement for Chicago Home Ownership Program 3 dated May 15, 1998, by and among the City, NLS and NHS.

"City" shall mean the City of Chicago, Illinois, an Illinois municipal corporation, and its successors and assigns.

"Debarment Certification" shall mean the certificate in substantially the form set forth in Exhibit G attached hereto and hereby made a part hereof, as the same may be amended from time to time.

"Eligible Costs" shall mean those costs for which HOME Funds may be used to pay, as described in 24 C.F.R. Section 92.206 and which constitute CHOP 3 Costs under the CHOP 3 Agreement.

"HOME Funds" shall mean the HOME Program funds awarded by HUD to the City under the National Affordable Housing Act.

"HOME Program" shall mean the HOME Program created under the National Affordable Housing Act.

"HOME Regulations" shall mean 24 C.F.R. Part 92, and such

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additional regulations, orders, rulings, interpretations and directives for the HOME Program as may be promulgated or issued by HUD from time to time.

"HUD" shall mean the United States Department of Housing and Urban Development.

"Mortgage" shall mean that certain Mortgage of even date herewith from the Borrower to NLS, as hereafter supplemented, amended and restated from time to time.

"National Affordable Housing Act" shall mean the Cranston-Gonzalez National Affordable Housing Act, 42 U.S.C. Section 12701 et seq.

"Persons" shall mean natural persons, firms, partnerships, associations, corporations, trusts and public bodies.

"Regulatory Agreement" shall mean this Regulatory Agreement, as supplemented, amended and restated from time to time.

"State" shall mean the State of Illinois.

"Tenant Certification" shall mean the certification in substantially the form set forth in Exhibit D attached hereto and hereby made a part hereof, as the same may be amended from time to time.

"URA" shall have the meaning assigned to that term in Section 2.7 hereof.

SECTION 2 BORROWER'S REPRESENTATIONS AND COVENANTS.

The Borrower hereby represents, warrants, covenants and agrees as follows:

2.1 Attached hereto as Exhibit C and hereby made a part hereof is a description of the use of the CHOP 3 Assistance proceeds. The Borrower shall use the CHOP 3 Assistance proceeds solely for Eligible Costs in connection with the Project. No CHOP 3 Assistance proceeds shall be used for activities described in 24 C.F.R. Section 92.214.

2.2 Neither the initial purchase price of the Project nor the appraised value of the Project, after completion of acquisition and, if applicable, rehabilitation, shall exceed 95 percent of the median purchase price for the type of single-family housing located in the City as determined by HUD.

2.3 None of the units in the Project shall at any time be used on a transient basis, and neither the Project nor any portion thereof shall ever be used as a hotel, motel, dormitory,

fraternity house, sorority house, rooming house, hospital, nursing home, sanitarium, rest home or trailer park or court.

2.4 The Borrower shall notify NLS of the occurrence of any event of which the Borrower has notice and which event would violate any of the provisions of this Regulatory Agreement.

2.5 No Person in the United States shall on the grounds of race, color, national origin, religion or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination in connection with the Project. In addition, the operation of the Project shall comply at all times with the Chicago Fair Housing Ordinance, Section 5-8-010 et seq. of the Municipal Code of Chicago.

2.6 The Borrower hereby acknowledges and affirms that it has reviewed the provisions of, and that the Project shall during the Project Term be in compliance with, each of the following: (a) the requirements of the Fair Housing Act (42 U.S.C. §3601 et seq.) and implementing regulations at 24 C.F.R. Part 100; Executive Order 11063, as amended by Executive Order 12892 (3 C.F.R., 1958-1963 Comp., p. 652 and 3 C.F.R., 1980 Comp., p. 307) (Equal Opportunity in Housing) and implementing regulations at 24 C.F.R. Part 107; and Title VI of the Civil Rights Act of 1964 (42 U.S.C. §2000d) (Nondiscrimination in Federally Assisted Programs) and implementing regulations at 24 C.F.R. Part 1; (b) the prohibitions against discrimination on the basis of age under the Age Discrimination Act of 1975 (42 U.S.C. §6101 et seq.) and the implementing regulations at 24 C.F.R. Part 146; (c) the prohibitions against discrimination against handicapped individuals under Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. §794) and implementing regulations at 24 C.F.R. Part 8; (d) the requirements of Executive Order 11246 (3 C.F.R., 1964-65 Comp., p. 339) (Equal Employment Opportunity), and the implementing regulations issued at 41 C.F.R. Chapter 60; and (e) the requirements of Executive Orders 11625 and 12432 (concerning Minority Business Enterprise), and Executive Order 12138 (concerning Women's Business Enterprise).

2.7 The Borrower shall take all reasonable steps to minimize the displacement of Families, individuals, businesses, not-for-profit organizations and farms (herein for the purposes of this paragraph collectively called "People") as a result of the Project. If displacement of People does occur as a result of the Project, the Borrower shall comply with the requirements of 24 C.F.R. Section 92.353, with respect to, among other things, temporary and permanent relocation of displaced People. The Borrower shall provide or cause all "displaced persons" (as defined in 24 C.F.R. Section 92.353(c)(2)) to be provided with relocation assistance in accordance with the requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 ("URA"), 42 U.S.C. Section 4601 et seq., and 49 C.F.R. Part 24, and shall cause all such "displaced persons"

to be advised of their rights under the Fair Housing Act, '40 U.S.C. Section 3601 et seq.

2.8 The acquisition of the real property on which the Project is located is subject to the requirements of the URA and the requirements of 49 C.F.R. Part 24, Subpart B.

2.9 The Project shall constitute HUD-associated housing for purposes of the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. Section 4821 et seq.), and shall comply with the requirements thereof and of 24 C.F.R. Part 35, including without limitation the requirements of notice to tenants, prohibition of the use of lead-based paint and for the elimination of the hazards of lead-based paint. Any lead-based paint and defective paint debris shall be disposed of in accordance with applicable federal, State or local requirements.

2.10 The Borrower has not executed and shall not execute any other agreement with provisions contradictory to, or in opposition to, the provisions hereof, and in any event, the requirements of this Regulatory Agreement are paramount and controlling as to the rights and obligations herein set forth and supersede any other requirements in conflict herewith.

2.11 Following completion of construction and/or rehabilitation, as applicable, of the Project and throughout the Project Term, the Project shall be maintained in compliance with the housing quality standards in 24 C.F.R. Section 882.109 and all other applicable local codes, rehabilitation standards, ordinances and zoning ordinances.

2.12 Flood insurance for the Project shall be obtained and maintained if the Project is located in an area which is identified by the Federal Emergency Management Agency as having special flood hazards.

2.13 The Borrower shall not request disbursement of HOME Funds until the HOME Funds are needed to pay for Eligible Costs of the Project. The amount of each such request shall not exceed the amount needed.

2.14 The Project will be used solely for secular purposes.

2.15 No person who is an employee, agent, consultant, officer or elected or appointed official of the City, NLS or NHS (and no person who was an employee, agent, consultant, officer or elected or appointed official within one year prior to the date hereof) and who exercises or has exercised any functions or responsibilities with respect to activities assisted with HOME Funds or who is or was in a position to participate in a decision-making process or gain inside information with regard to such activities, has obtained, is obtaining or will obtain a financial interest or benefit from the Project, or has or will

have any interest in any contract, subcontract or agreement with respect to the Project, or the proceeds thereunder, either for himself or for those with whom he has family or business ties.

2.16 Except as otherwise disclosed to NLS in writing, all of the statements, representations and warranties of the Borrower contained in the Borrower's Application and any other document submitted by the Borrower to NLS in connection with the Project remain true and in effect as of the date hereof.

2.17 The Borrower has executed and delivered to NLS as of the date hereof a Debarment Certification.

2.18 Additional representations and covenants of the Borrower contained on Exhibit B hereto are hereby incorporated herein by reference.

2.19 (a) All warranties and representations of the Borrower contained in this Regulatory Agreement and the other Borrower Documents are true, accurate and complete at the time of the Borrower's execution hereof and thereof, and shall be true, accurate and complete at the time of each disbursement of CHOP 3 Assistance proceeds, and shall survive the execution, delivery and acceptance hereof by the parties hereto for the duration of the Project Term;

(b) the Borrower has the right, power and authority to enter into, execute, deliver and perform this Regulatory Agreement and the other Borrower Documents;

(c) the execution, delivery and performance by the Borrower of this Regulatory Agreement and the other Borrower Documents have been duly authorized by all necessary action of the Borrower and will not violate any provision of law (including any order, writ, injunction or decree binding upon the Borrower or the Project, if any), or result in the breach of or constitute a default under or require any consent under, or result in the creation of any lien, charge or encumbrance (except for any lien, charge or encumbrance created by the Borrower Documents) upon the Project or any other property or assets of the Borrower under any agreement, instrument, restriction or document to which the Borrower is now or hereafter a party or by which the Borrower or the Project is or may become bound or affected;

(d) the Borrower has good, indefeasible and merchantable title to the Project and all beneficial interest therein free and clear of all liens, charges and encumbrances that would impair good and marketable nature of title to the Project;

(e) the Borrower is now solvent and able to pay its debts as they mature;

(f) there are no actions or proceedings by or before any court or governmental commission, board, bureau or other

administrative agency pending or, to the Borrower's knowledge, threatened, against or affecting the Borrower which if adversely determined could materially and adversely affect the Borrower's ability to perform under the Borrower Documents or which might result in any material, adverse change to the Borrower's financial condition or may materially affect the Project or the Borrower's other property or assets;

(g) the Borrower has been and is in compliance with, as applicable, any and all governmental notices, permits, certificates and consents (including, without limitation, all environmental permits and other authorizations) necessary to carry out and complete the acquisition and, if applicable, rehabilitation of the Project;

(h) the Borrower is not in default with respect to any indenture, loan agreement, mortgage, deed or other agreement or instrument relating to the borrowing of monies to which it is a party or by which it may be bound; and

(i) except for the City building code violations, if any (all of which are to be remedied in the course of the rehabilitation of the Project), the Project (including underlying ground water and areas leased to tenants, if any) has been and is in compliance with all applicable federal, State and local laws, statutes, rules, regulations, executive orders, ordinances, codes, decrees and judgments, pertaining to or affecting the Project and the use thereof and the conduct of any business or operations thereon.

SECTION 3 AGREEMENT TO PROVIDE CHOP 3 ASSISTANCE; COMPLETION DATE.

3.1 NLS agrees to provide the CHOP 3 Assistance to the Borrower as described on Exhibit B hereto and for the purposes described on Exhibit C hereto. The Borrower agrees to start acquisition and, if applicable, rehabilitation of the Project within 12 months from the date hereof.

3.2 NLS agrees to provide, upon the written request of the Borrower, a certification, in a form eligible for recordation in the conveyance and real property records of the county in which the Project is located, identifying the Completion Date promptly after such date. The Borrower shall pay all expenses of recordation of such certificate.

SECTION 4 RELIANCE.

NLS and the Borrower hereby recognize and agree that the representations and covenants set forth herein made by NLS and the Borrower, respectively, may be relied upon by the Borrower

and NLS, respectively. In performing its duties and obligations hereunder, NLS may rely upon statements and certificates of the Borrower and, if the Project contains Rental Units, Low-Income Families, and upon audits of the books and records of the Borrower pertaining to occupancy of the Project.

SECTION 5 SALE OR TRANSFER OF THE PROJECT.

The Borrower hereby covenants and agrees not to sell, transfer or otherwise dispose of the Project, or any portion thereof (including, without limitation, a transfer by assignment of any beneficial interest under a land trust), or to violate any provision of the Mortgage relating to prohibitions on sales or transfers of the Project or any interest therein (whether or not the Mortgage remains of record), at any time during the Project Term, except as expressly permitted by Exhibit B hereto. It is hereby expressly stipulated and agreed that any sale, transfer or other disposition of the Project in violation of this Section 5 shall be null, void and without effect, shall cause a reversion of title to the Borrower or any successor or assignee of the Borrower last permitted by the City, and shall be ineffective to relieve the Borrower or such successor or assignee, as applicable, of its obligations hereunder.

SECTION 6 TERM.

6.1 This Regulatory Agreement shall become effective as of the date hereof and shall remain in full force and effect for a term equal to the Project Term.

SECTION 7 ENFORCEMENT.

7.1 If a violation of any of the foregoing representations or covenants occurs or is attempted, and such occurrence or attempt is uncorrected for a period of 60 days after notice thereof from NLS to the Borrower (provided, however, that NLS shall not be precluded during any such period from exercising any remedies hereunder if NLS shall receive a request or notice from the City or HUD to do so or if NLS shall determine that the continuation of such uncorrected occurrence shall result in any liability by NLS to the City or HUD), NLS and its successors and assigns, without regard to whether NLS or its successors and assigns is an owner of any land or interest therein to which these covenants relate, may institute and prosecute any proceeding at law or in equity to abate, prevent or enjoin any such violation or attempted violation or to compel specific performance by the Borrower of its obligations hereunder, or may declare an event of default under the Borrower Documents and exercise its rights thereunder, including without limitation foreclosure under the Mortgage. No delay in enforcing the

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provisions hereof as to any breach or violation shall impair, damage or waive the right of any party entitled to enforce the provisions hereof or to obtain relief against or recovery for the continuation or repetition of such breach or violation or any similar breach or violation hereof at any later time.

7.2 The CHOP 3 Assistance is subject to repayment in accordance with the provisions of Exhibit B hereto.

7.3 The Borrower further specifically acknowledges that the beneficiaries of the Borrower's obligations hereunder cannot be adequately compensated by monetary damages in the event of any breach or violation of any of the foregoing representations or covenants

SECTION 8 RECORDING AND FILING.

The Borrower shall cause this Regulatory Agreement and all amendments and supplements hereto to be recorded and filed in the conveyance and real property records of the county in which the Project is located and in such other places as NLS may reasonably request. The Borrower shall pay all fees and charges incurred in connection with any such recording. Upon recording, the Borrower shall immediately transmit to NLS an executed original of this Regulatory Agreement showing the date and recording number of record.

SECTION 9 COVENANTS TO RUN WITH THE LAND.

The Borrower hereby subjects the Project to the covenants, reservations and restrictions set forth in this Regulatory Agreement. NLS and the Borrower hereby declare their express intent that the covenants, reservations and restrictions set forth herein shall, throughout the Project Term, be deemed covenants, reservations and restrictions running with the land to the extent permitted by law, and shall pass to and be binding upon the Borrower's successors in title to the Project throughout the Project Term. The Borrower hereby covenants to include the requirements and restrictions contained in this Regulatory Agreement in any documents transferring any interest in the Project during the Project Term to another Person in order that such transferee has notice of, and is bound by, such restrictions, and to obtain from any transferee the agreement to be bound by and comply with the requirements set forth in this Regulatory Agreement; provided, however, that each and every contract, deed, mortgage or other instrument hereafter executed covering or conveying the Project or any portion thereof or interest therein (including, without limitation, any transfer of a beneficial interest in a land trust or a portion thereof) shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and

restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instrument. After the end of the Project Term, NLS, upon a written request from the owner of the Project, shall execute and consent to the recording of a release of this Regulatory Agreement, at the expense of the party requesting such release.

SECTION 10 GOVERNING LAW.

This Regulatory Agreement shall be construed in accordance with and governed by the internal laws of the State without regard to its conflict of laws principles, and, where applicable, the laws of the United States of America. In the event of any conflict between this Regulatory Agreement and the National Affordable Housing Act or the HOME Regulations, the requirements of the National Affordable Housing Act or the HOME Regulations, as applicable, shall control.

SECTION 11 AMENDMENTS.

This Regulatory Agreement shall be amended only by a written instrument executed by the parties hereto or their successors in title, and duly recorded in the real property records of the county in which the Project is located. The Borrower hereby expressly agrees to enter into all amendments hereto which, in the opinion of the City, are reasonably necessary for maintaining compliance under the National Affordable Housing Act and the HOME Regulations.

SECTION 12 NOTICE.

Unless otherwise specified, any notice, demand or request required hereunder shall be given in writing at the addresses set forth below, by any of the following means: (a) personal service; (b) electronic communications, whether by telex, telegram or telecopy; (c) overnight courier, receipt requested; or (d) registered or certified mail, return receipt requested.

IF TO NLS: Neighborhood Lending Services, Inc.
747 North May Street
Chicago, Illinois 60622
Attention: Executive Director

WITH A COPY TO: _____

IF TO BORROWER: As specified on Exhibit B hereto.

Such addresses may be changed by notice to the other party

given in the same manner provided above. Any notice, demand or request sent pursuant to either clause (a) or (b) above shall be deemed received upon such personal service or upon dispatch by electronic means with confirmation of receipt. Any notice, demand or request sent pursuant to clause (c) above shall be deemed received on the Business Day immediately following deposit with the overnight courier, and any notice, demand or request sent pursuant to clause (d) above shall be deemed received two Business Days following deposit in the mail.

SECTION 13 SEVERABILITY.

If any provision of this Regulatory Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

SECTION 14 COUNTERPARTS.

This Regulatory Agreement may be executed in any number of counterparts, each of which shall constitute an original, but all of which, taken together shall constitute one and the same Regulatory Agreement.

SECTION 15 ANNUAL INSPECTIONS.

The Borrower agrees that the Project shall be subject to on-site inspections by NLS, at least once a year during each year of the Project Term, to determine compliance with housing codes, this Regulatory Agreement and the requirements of the HOME Regulations.

SECTION 16 THIRD PARTY BENEFITS.

This Regulatory Agreement is made for the benefit of NLS and the Borrower and their respective successors and assigns and, except as otherwise expressly provided herein, no other party shall have any legal interest of any kind hereunder or by reason of this Regulatory Agreement. The City is a third party beneficiary of this Regulatory Agreement and may execute any of the duties of NLS hereunder upon the termination of the CHOP 3 Agreement. Whether or not NLS elects to employ any or all of the rights, powers or remedies available to it hereunder, NLS shall have no obligation or liability of any kind to any third party other than to the City pursuant to CHOP 3 Agreement by reason of this Regulatory Agreement or any actions or omissions of NLS pursuant hereto or otherwise in connection herewith.

SECTION 17 REFERENCES TO STATUTES, ETC.

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All references herein to statutes, regulations, rules, executive orders, ordinances, resolutions or notices or circulars issued by any governmental body shall be deemed to include any and all amendments, supplements and restatements from time to time to or of such statutes, regulations, rules, executive orders, ordinances, resolutions, notices and circulars.

IN WITNESS WHEREOF, NLS and the Borrower have executed this Regulatory Agreement by their duly authorized representatives, all as of the date first written hereinabove.

NEIGHBORHOOD LENDING SERVICES, INC.

By: _____

Name: James K. Wheaton

Title: Associate Director

By: Patricia A. Simmons
Name: Patricia A. Simmons

By: _____

Title: Borrower

Title: Co-Borrower

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

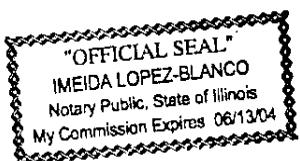
I, the undersigned, a notary public in and for the County and State aforesaid, DO HEREBY CERTIFY THAT James K. Wheaton, personally known to me to be the Associate Director of Neighborhood Lending Services, Inc. ("NLS") and personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that as such Associate Director, (s)he signed and delivered the said instrument pursuant to authority, as his/her free and voluntary act, and as the free and voluntary act and deed of said City, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this ____ day of

_____, _____.

Imelda Lopez-Blanco
Notary Public

(SEAL)



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STATE OF ILLINOIS)
) SS.
COUNTY OF COOK)

I, the undersigned, a Notary Public in and for the county and State aforesaid, do hereby certify that Patricia A. Simmons, personally known to me to be the Borrower/(and Co-Borrower), respectively, and known to me to be the same persons whose names are subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that as such, they signed and delivered the said instrument pursuant to authority and as their respective free and voluntary acts and deeds and as the free and voluntary act and deed of the Borrower for the uses and purposes therein set forth.

GIVEN under my hand and official seal this 4th day of August, 2000.

Dorothy A Cammon
Notary Public

(SEAL)

OFFICIAL SEAL
DOROTHY A CAMMON
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 05/31/03

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EXHIBIT C

USE OF CHOP 3 ASSISTANCE PROCEEDS

[Include the following: description of the tasks to be performed, a schedule for completing the tasks and a project budget.]

CHOP 3 Assistance proceeds are being used to complete the sales transaction by providing the following:

- Down Payment
- Closing Cost assistance
- Affordability assistance
- Appraisal Gap assistance.
- Developer Fee

The project is scheduled to close on August 4, 2000. The funds will be fully disbursed on that date.

Sales price is \$69,000.00, and appraisal value is \$69,000.00. Total project cost, including all closing costs, etc. is \$76,043.47. Borrower's funds total \$1,000.00 (1.32% of total Project Cost). CHOP 3 Assistance totals \$8,540.00.

Borrower is obtaining a conventional fixed rate, 30-year mortgage from Marquette National Bank, in the amount of \$66,930.00 (97% LTV), at a rate of 8.625%.

The Borrower is obtaining a second mortgage from Neighborhood Lending Services, Inc., in the amount of \$0.00, 6.00% interest for 15 years.

The borrower will have PMI premiums of \$50.20 per month.

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HOMEBUYER (APPRAISAL GAP GRANT, AFFORDABILITY GAP LOAN, DOWN .PAYMENT AND CLOSING COST ASSISTANCE GRANT)

EXHIBIT B

I. ADDITIONAL DEFINITIONS

"Affordability Gap Loan" shall mean a forgivable loan in the amount of \$5,000.00 from NLS to the Borrower for financing a portion of the costs of acquisition and/or rehabilitation of the Project.

"Affordability Period" shall mean the [INSERT APPROPRIATE NUMBER: FOUR--if there are under \$15,000 of HOME funds per unit; ten--if \$15,000 to \$40,000 of HOME funds per unit]: FOUR years following the date on which the Project is acquired or rehabilitation is completed and the Project is available for occupancy by the Borrower, whichever date is later.

"Application" shall mean the application of the Borrower for CHOP 3 Assistance, in the form prepared by NLS.

"Appraisal Gap Grant" shall mean a grant in the amount of \$0.00 from NLS to the Borrower for financing a portion of the costs of acquisition and/or rehabilitation of the Project.

"CHOP 3 Agreement" shall mean the Master Program Agreement for Chicago Home Ownership Program 3 dated as of May 15, 1998, by and among the City, NLS and NHS, as amended, supplemented and restated from time to time.

"CHOP 3 Assistance" shall mean the Affordability Gap Loan, the Appraisal Gap Grant and the Down Payment and Closing Cost Assistance Grant.

"Down Payment and Closing Cost Assistance Grant" shall mean a grant in the amount of \$3,540.00 (of which \$1,600.00 shall be used for a portion of the Borrower's down payment and \$1,940.00 shall be used for the Borrower's closing costs) from NLS to the Borrower for financing a portion of the costs of acquisition of the Project.

"Family" shall have the meaning assigned to such term in 24 C.F.R. Section 812.2.

"Homebuyer" shall mean one or more individuals whose Family income does not exceed 80 percent of the median income of the Chicago area, adjusted for family size, as determined by HUD from time to time. The Homebuyer's Family income is to be measured at the time the Homebuyer is applying for CHOP 3 Assistance and at the time the Homebuyer purchases or occupies the Project. The following individuals shall not qualify as "Homebuyers:" any individual who is an employee, agent, consultant, officer, elected official or appointed official of the City, or any employee, agent, consultant, officer, elected official, appointed official, director

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or shareholder of NLS, NHS, LISC or any entity related to any of NLS, NHS or LISC by means of a parent-subsidary relationship or common directors or shareholders.

"LISC" shall mean Local Initiatives Support Corporation, a New York not-for-profit corporation, and its successors and assigns.

"Low-Income Families" shall mean and include Families whose annual income does not exceed 80% of the Chicago-area median income, adjusted for Family size, as such annual income and Chicago-area median income are determined from time to time by HUD.

"NHS" shall mean Neighborhood Housing Services of Chicago, Inc., an Illinois not-for-profit corporation, and its successors and assigns.

"Project" shall mean the building located at 11838 S. Stewart, Chicago, Illinois, and which shall contain, as of the completion of acquisition and, if applicable, rehabilitation thereof, ONE residential dwelling unit(s).

"Project Term" shall mean the period during which the Project must comply with this Regulatory Agreement. The Project Term shall begin on the date hereof and shall end on the earlier of (a) the last day of the Affordability Period, or (b) the date of sale or foreclosure of the Project.

"Rental Units" shall mean the dwelling units of the Project, if any, not occupied by the Borrower and leased by the Borrower to rent-paying tenants.

"Tenant Certification" shall mean the certification in substantially the form set forth in Exhibit D attached hereto and hereby made a part hereof, as the same may be amended from time to time.

"Utilities" shall mean the monthly allowance for any utilities and services (excluding telephone) to be paid by the tenant.

"Very Low-Income Family" shall mean any Low-Income Family whose annual income does not exceed 50% of the Chicago-area median income, adjusted for Family size, as such annual income and Chicago-area median income are determined from time to time by HUD.

II. ADDITIONAL REPRESENTATIONS AND COVENANTS OF BORROWER.

1. The census tract location of the Project is 5302.
2. (a) The dwelling unit in the Project occupied by the Borrower has **four bedrooms**. The Project shall have **zero Rental Units**. If the Project contains Rental Units, the Rental Units

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shall consist of the following unit configuration:

<u>Number of Bedrooms</u>	<u>Number of Units</u>
n/a	n/a
n/a	n/a

(b) The principal amount of the **CHOP 3** Assistance (i.e., \$8,540.00) divided by the total number of units in the Project (i.e., one) equals **\$8,540.00** per each such unit, which is greater than the minimum per-unit requirement of 24 C.F.R. Section 92.205 (i.e., \$1,000 per unit).

3. The Project shall be acquired and/or rehabilitated, as applicable, by the Borrower, in accordance with the Construction Schedule, the Project Budget and any Change Orders hereafter approved by NLS, for the purpose of providing owner-occupied single-family residential property. During the Affordability Period, the Borrower shall occupy one dwelling unit of the Project as the Borrower's principal residence and shall own, manage and operate the Rental Units of the Project, if any, as residential rental units and facilities functionally related and incidental thereto. The Project is designed for residential use only.

4. For purposes of Section 12 of the Regulatory Agreement, the Borrower's address shall be:

Patricia A. Simmons
11838 S. Stewart
Chicago, IL 60628

WITH COPY TO:

5. The Borrower acknowledges and agrees that all of the **CHOP 3** Assistance will be immediately due and payable to NLS if NLS determines that the Borrower made a misrepresentation on the Borrower's Application or that the Borrower did not qualify as a Homebuyer as of the date of the Borrower's Application. The Borrower further acknowledges and agrees that all of the **CHOP 3** Assistance will be immediately due and payable to NLS if the acquisition and rehabilitation of the Project are terminated prior to completion.

6. NLS and the Borrower agree that if the Borrower sells the Project during the Affordability Period, the Appraisal Gap Grant and the Down Payment and Closing Cost Assistance Grant shall not be repaid, but the Affordability Gap Loan shall be subject to repayment in accordance with the following calculations:

(a) Subtract from the sales price obtained by the Borrower for the Project (i.e., \$ _____) the following two amounts: (1) the closing costs paid by the Borrower, if any, as part of the Borrower's sale of the Project: (i.e., \$ _____), and (2) the amounts of unpaid mortgage loans on the Project, whose lien priority is senior to that of the Mortgage lien, to be paid off by the Borrower from the sales proceeds: (i.e., \$ _____). Insert the result here: \$ _____. The resulting amount will be called "Net Proceeds."

(b) Add together the following amounts:

(1) the amount of the down payment paid by the Borrower from the Borrower's own funds to acquire the Project: \$1,000.00;

(2) principal payments, if any, made by the Borrower on mortgage loans on the Project: \$ _____; and

(3) any capital improvement investment to the Project paid by the Borrower from the Borrower's own funds: \$ _____.

These three amounts added together equal \$ _____ and will be called the "Borrower's Investment."

(c) Add together the original principal amount of the Affordability Gap Loan (i.e., \$5,000) and the Borrower's Investment (i.e., \$ _____). Insert the result here: \$ _____. This sum will be called the "Total Investment."

(d) Compare the Total Investment to the Net Proceeds.

(1) If the Total Investment is less than or equal to the Net Proceeds, the original principal amount of the Affordability Gap Loan is repayable in full by the Borrower to NLS.

(2) If the Total Investment is more than the Net Proceeds, perform the following calculations:

(i) Insert the total number of months in the Affordability Period [either 48 or 120]: 48. This number will be called the "Total Number."

(ii) Insert the total number of months that the Borrower has owned and occupied the Project: _____. This number will be called the "Borrower's Number."

(iii) Divide the Borrower's Number by the Total Number and insert the fraction here: _____.

This number will be called the "Fraction."

(iv) Multiply the original principal amount of the Affordability Gap Loan by the Fraction and insert the result here: \$_____ This amount will be called the "Reduced Loan."

(v) Compare the Reduced Loan to the Net Proceeds.

(A) If the Net Proceeds are equal to or less than the Reduced Loan, all of the Net Proceeds are due and payable to NLS by the Borrower in payment of the Affordability Gap Loan. After the Net Proceeds have been paid to NLS, the Affordability Gap Loan shall be deemed to be paid in full.

(B) If the Net Proceeds are more than the Reduced Loan, make the following payments:

(I) First, pay an amount of Net Proceeds, in the amount of the Reduced Loan, to NLS.

(II) Second, pay an amount of Net Proceeds, in an amount up to the Borrower's Investment, to the Borrower.

(III) Third, pay all remaining Net Proceeds, if any, to NLS.

After the Net Proceeds have been paid to NLS as described in (I) and (III) above, the Affordability Gap Loan shall be deemed to be paid in full.

All repayments of the Affordability Gap Loan to be made by the Borrower to NLS upon the sale of the Project shall be made promptly after such sale.

7. NLS and the Borrower agree that, upon a foreclosure of the Project during the Affordability Period, the Affordability Gap Loan shall be repayable according to the same terms as provided in Section 6 hereof.

8. If the Project contains one or more Rental Units, the following provisions shall apply:

(a) After completion of the acquisition and/or rehabilitation, as applicable, of the Project and subject to Subsections (d) and (f) hereof, all of the Rental Units in the Project shall be occupied only by households who are Low-Income

Families.

(b) Subject to Subsection (r) hereof, the rents for all the Rental Units in the Project shall not exceed the lesser of (a) the fair market rent for comparable units in the area as established by HUD under 24 C.F.R. Section 888.111, less Utilities or (b) 30% of the adjusted income of a Family whose gross income equals 60% of the median income for the Chicago area, with adjustment for the number of bedrooms in the unit (as determined by HUD), as such adjusted income and Chicago-area median income are determined from time to time by HUD, less Utilities.

(c) Subject to Subsection (r) hereof, if the Project has three Rental Units, at least one of the Rental Units of the Project shall be either (1) occupied by a Very Low-Income Family who pays not more than 30% of the Family's monthly adjusted income, as determined by HUD, for rent (excluding any federal or state rental subsidy provided on behalf of the Family) less Utilities; or (2) occupied by a Very Low-Income Family and bearing rent not greater than 30% of the gross income of a Family whose income equals 50% of the median income for the Chicago area, adjusted for Family size, and as such monthly adjusted income and Chicago-area median income are determined from time to time by HUD, less Utilities.

(d) Subsections (a) and (c) hereof shall be deemed satisfied, despite a temporary noncompliance therewith, if the noncompliance is caused by increases in the incomes of existing tenants and if actions satisfactory to HUD are being taken to ensure that all vacancies are filled in accordance with this Regulatory Agreement until the noncompliance is corrected.

(e) The rents described in Subsections (b), (c) and (r) hereof as prepared by the Borrower shall be subject to review and approval by NLS annually. The amount(s) proposed by the Borrower as Utilities shall also be subject to the annual review and approval of NLS.

(f) All of the Rental Units of the Project shall initially be occupied by Families whose adjusted annual incomes at initial occupancy do not exceed 60% of the median Family income for the Chicago area, as determined by HUD.

(g) The Borrower shall not refuse to lease any Rental Unit of the Project to a holder of a certificate of family participation under 24 C.F.R. Part 882, or of a rental voucher under 24 C.F.R. Part 887, or to a holder of a comparable document evidencing participation in a HOME Program tenant-based assistance program because of the status of the prospective tenant as a holder of such certificate of family participation, rental voucher, or comparable HOME Program tenant-based assistance document.

(h) All tenant leases for the Rental Units of the Project

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shall be written, shall be in conformity with all applicable laws, including without limitation the City of Chicago Residential Landlord and Tenant Ordinance and the HOME Regulations, and shall contain clauses, inter alia, wherein each individual lessee: (i) certifies the accuracy of the statements made in the Tenant Certification and (ii) agrees that the Family income and other eligibility requirements shall be deemed substantial and material obligations of his/her tenancy, that he/she will comply with all requests for information with respect thereto from the Borrower, NLS, the City or HUD, and that the failure to provide accurate information in the Tenant Certification or refusal to comply with a request for information with respect thereto shall be deemed a substantial violation of an obligation of his/her tenancy.

(i) All leases for the Rental Units of the Project shall be for a period of not less than one year, unless by mutual agreement of the tenant and the Borrower. Notwithstanding the foregoing, rents will not be set more than one year in advance. Leases for Rental Units of the Project shall not contain any of the following provisions:

- (1) agreement by the tenant to be sued, to admit guilt or to a judgment in favor of the Borrower in a lawsuit brought in connection with the lease;
- (2) agreement by the tenant that the Borrower may take, hold or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties (this prohibition, however, does not apply to an agreement by the tenant concerning disposition of personal property remaining in the housing unit after the tenant has moved out of the unit; the Borrower may dispose of this personal property in accordance with applicable local and State law);
- (3) agreement by the tenant not to hold the Borrower or the Borrower's agents legally responsible for any action or failure to act, whether intentional or negligent;
- (4) agreement by the tenant that the Borrower may institute a lawsuit without notice to the tenant;
- (5) agreement by the tenant that the Borrower may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense or before a court decision on the rights of the parties;
- (6) agreement by the tenant to waive any right to a trial by jury;

- (7) agreement by the tenant to waive the tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease; or
- (8) agreement by the tenant to pay attorney's fees or other legal costs even if the tenant wins in a court proceeding by the Borrower against the tenant (provided, however, that the tenant may be obligated to pay costs if the tenant loses).

(j) The Borrower shall not terminate the tenancy or refuse to renew the lease of a tenant of a Rental Unit of the Project except for serious or repeated violation of the terms and conditions of the lease, for violation of applicable federal, State or local law, or for other good cause. Any refusal to renew shall be preceded by not less than 30 days by the Borrower's service upon the tenant of a written notice specifying the grounds for the action. For each tenant of a Rental Unit of the Project whose tenancy is to be terminated, the Borrower shall provide a written notice specifying the grounds for termination to such tenant and shall not cause any such tenant to be evicted less than 30 days after receipt by the tenant of such written notice.

(k) Any increase in rents on any Rental Units of the Project shall be subject to the provisions of outstanding leases. Where the leases allow an increase in rent, the Borrower shall provide tenants with not less than 30 days' prior written notice before implementing any increase in rents.

(l) All tenant lists, applications and waiting lists relating to Rental Units of the Project shall at all times be kept separate and identifiable from any other business of the Borrower which is unrelated to the Project, shall be maintained, as required by NLS or the City, in a reasonable condition for proper audit and shall be subject to examination during business hours by representatives of NLS, the City and/or HUD. If the Borrower employs a management agent for the Project, the Borrower shall require such agent to comply with the requirements of this Regulatory Agreement and shall include such requirements in any and all management agreements or contracts entered into with respect to the Project.

(m) The Borrower shall permit and shall cause any management agent for the Project to permit, during normal business hours and upon reasonable notice, any duly authorized representative of NLS, the City or HUD to inspect any books and records of the Borrower or such agent regarding the Project with respect to the incomes of Low-Income Families residing as tenants in the Rental Units of the Project or which pertain to compliance with the provisions of this Regulatory Agreement, the National Affordable Housing Act or the HOME Regulations. The Borrower shall permit, and shall cause any management agent for the Project to permit, NLS, the City, HUD and/or their agents to inspect the Project at all reasonable times and access thereto shall be permitted for that purpose.

(n) The Borrower shall obtain and maintain on file during the Project Term a sworn and notarized Tenant Certification with respect to each and every individual, group of unrelated individuals or Family who is a tenant in any Rental Unit of the Project, signed by the tenant or tenants (i.e., the individual or individuals whose name or names appear on the lease) and obtained by the Borrower (a) prior to such tenant or tenants occupying the such Rental Unit or signing a lease with respect thereto, and (b) thereafter at least annually during the Affordability Period so long as such individual, individuals or Family remain as tenants in the Project. Each Tenant Certification shall be kept on file with the Borrower during the Project Term. The Borrower shall assist each of the tenants in the Rental Units of the Project in completing the Tenant Certification by referring to the instructions on Exhibit E attached hereto and hereby made a part hereof.

(o) The Borrower shall provide to NLS a tenant profile (in the form provided to the Borrower by NLS) for each Low-Income Family in each Rental Unit of the Project within 30 days after such unit is leased to such Low-Income Family (or, for Rental Units occupied by Low-Income Families as of the date hereof, within 30 days from the date hereof). For each Rental Unit of the Project, promptly after the first leasing of such Rental Unit after the Completion Date, the Borrower shall provide NLS, unless prohibited by law, with data on the racial, ethnic, gender and income-level characteristics (including gender identification of the head(s) of household) of (1) the tenants moving into such Rental Unit initially after completion of acquisition and/or rehabilitation, as applicable, of the Project, and (2) the applicants for tenancy of such Rental Unit within 90 days following the Completion Date. For each subsequent leasing of each Rental Unit of the Project, the Borrower shall provide NLS, unless prohibited by law, with data on the racial, ethnic, gender and income-level characteristics (including gender identification of the head(s) of household) of each tenant moving into the unit.

(p) The Borrower has submitted to NLS a tenant selection plan containing policies and criteria that: (1) are consistent with the purpose of providing housing for Very Low-Income Families and Low-Income Families, (2) are reasonably related to HOME Program eligibility and the applicants' ability to perform the obligations of the lease, (3) give reasonable consideration to the housing needs of Families that would have a preference under 24 C.F.R. Section 960.211, and (4) provide for (i) the selection of tenants from a written waiting list in the chronological order of their application, insofar as is practicable, and (ii) the prompt notification in writing to any rejected applicant of the grounds for any rejection.

(q) The Borrower agrees that it is the Borrower's responsibility to determine that each potential tenant of the Rental Units of the Project qualifies as a Low-Income Family or

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Very Low-Income Family, as applicable, and in making each such determination, the Borrower shall exercise due diligence.

(r) If the income of a Family residing in a Rental Unit of the Project increases such that such Family no longer qualifies as a Low-Income Family, such Family shall thereafter pay as rent the lesser of (1) the maximum amount payable by the tenant under State or local law, or (2) 30 percent of the Family's adjusted monthly income as recertified annually.

9. The Borrower agrees that it will take any and all actions required by NLS to substantiate the Borrower's compliance with the restrictions set forth herein, including but not limited to, if the Project contains Rental Units, submitting annually to NLS an Annual Report executed by the Borrower.

10. (a) NLS has, prior to the acquisition of the Project by the Borrower, inspected the Project for any health and safety defects, and has notified the Borrower of the work needed to cure such defects and the deadlines described in (b) and (c) of this Section 10.

(b) The Borrower shall ensure that the Project is free from all health and safety defects noted by NLS before occupancy and not later than six months after transfer of the Project to the Borrower.

(c) The Borrower shall ensure that the Project shall meet the City's building code not later than two years after transfer of the Project to the Borrower. Thereafter, the Borrower shall keep the Project in compliance with the City's building code.

11. If rehabilitation costs, if any, for the Project exceed \$25,000 per unit, following rehabilitation and throughout the Project Term, the Project shall comply with the cost-effective energy conservation and effectiveness standards in 24 C.F.R. Part 39.

12. The Borrower shall permit, during normal business hours and upon reasonable notice, any duly authorized representative of NLS, the City or HUD to inspect any books and records of the Borrower regarding the Project which pertain to compliance with the provisions of this Regulatory Agreement, the National Affordable Housing Act or the HOME Regulations. The Borrower shall permit NLS, the City, HUD and/or their agents to inspect the Project at all reasonable times and access thereto shall be permitted for that purpose.

13. All fees, costs and expenses of NLS incurred in taking any action pursuant to Section 7 of the Regulatory Agreement shall be the sole responsibility of the Borrower.

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