

**U.S. Department of Housing
and Urban Development
Office of Public and Indian Housing**

**Mutual Help Homeownership Opportunity Program
Mutual Help and Occupancy Agreement**

**Exhibit A
Land Description**

The Lessor (the Homebuyer) hereby leases to the Lessee (the IHA) the following real property situated _____ described as follows:

The above property will comprise approximately _____ dwelling site(s).

IHA _____

by (Name) _____

(Official Title) _____

(Homebuyer) _____

(Home buyer's Spouse) _____

**Mutual Help Homeownership Opportunity Program
Mutual Help and Occupancy Agreement**

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This revised form of MHO Agreement shall be used for all Mutual Help Projects placed under ACC on or after October 1, 1990. This MHO Agreement should be used in conjunction with 24 CFR, Part 905, Indian Housing: Revised Consolidated Regulations; Interim Rule.

“The participant hereby agrees that when a project is converted in accordance with 24 CFR 905.455 or 905.503, the participant shall then execute this form of Mutual Help and Occupancy Agreement applicable for such converted project.”

Article I: Parties; Definitions

1.1 Parties.

This Mutual Help and Occupancy Agreement (“Agreement”) is entered into by and between

_____ (“IHA”) and the Homebuyer whose signatures(s) appears below. The IHA has entered into an Annual Contributions Contract (“ACC”) with the U.S. Department of Housing and Urban Development (“HUD”) after which the IHA will develop a Project under the HUD Mutual Help Homeownership Opportunity Program in compliance with HUD requirements. Under this Agreement, the IHA will give the Homebuyer an opportunity to achieve ownership of a Home in the Project in return for fulfilling the homebuyer’s obligations to make a contribution to the development of the Project, to make monthly payments based on income, and to provide all maintenance of the Home. The terms and conditions of this Agreement are attached hereto and made a part hereof. This Agreement has been executed in duplicate original, and the Homebuyer hereby acknowledges receipt of one such original.

IHA _____

By _____

(Official Title)

(Homebuyer)

(Homebuyer’s Spouse)

() Initial Homebuyer () Subsequent Homebuyer

Date _____

1.2 Definitions

In addition to the definitions listed below, certain Construction Contract terms as used herein shall have the same meaning as in the Construction Contract.

Administration Charge. The amount budgeted per-unit per-month for the following operating expense categories (and any other operating expense categories included in the IHA’s HUD-approved operating budget for a fiscal year or other budget period, and may reflect differences in expenses attributable to different sizes or
VEPA. The Voluntary Equity Payment Account. A

types of units): (a) administrative salaries, payroll, taxes, etc; travel, postage, telephone and telegraph, office supplies; office space, maintenance and utilities for office space; general liability insurance or risk protection costs; accounting services; legal expenses; and operating reserves required for sufficient working capital for future nonroutine maintenance of IHA-owned administrative facilities and common property, for the payment of advance premiums for insurance and for unanticipated project requirements approved by HUD; (b) premiums for fire and other insurance; payments in lieu of taxes, if any, and other similar expenses; (c) a contribution to the Project Operating Reserve which is maintained by the IHA for payment of operating expenses other than the item (c).

Construction Contract. The contract for construction in the case of the Conventional method, or the Contract of Sale in the case of the Turnkey method.

Home. The dwelling unit covered by this MHO Agreement, or any other dwelling unit and homesite in the project (as indicated by the context).

Homebuyer. The person(s) who has executed this MHO Agreement or an MHO Agreement for another Home in the Project (as indicated by the context), and who has not yet achieved ownership of his/her Home.

HUD. The U.S. Department of Housing and Urban Development.

IHA Homeownership Financing. IHA financing for purchase of a Home by an eligible Homebuyer who gives the IHA a Promissory Note and Mortgage for the balance of the purchase price.

MEPA. The monthly Equity Payments Account. A homebuyer account in the Mutual Help Homeownership Opportunity Program credited with the amount by which each required monthly payment exceeds the administration charge.

MH. Mutual Help.

MH Contribution. A contribution of land, labor, cash, materials or equipment or a combination of these toward the development cost of a project in accordance with a homebuyer’s MHO Agreement, credit for which is to be used toward purchase of a home.

MHO Agreement. A Mutual Help and Occupancy Agreement between the IHA and a Homebuyer. The MHO Agreement constitutes a lease-option agreement. The homebuyer is a lessee during the term of the agreement and acquires no equitable interest in the home until the option to purchase is exercised.

MH Program. The Mutual Help Homeownership Opportunity Program.

Project. The entire undertaking to provide housing as identified in the ACC, including all real or personal property, funds and reserves, rights, interests and obligations, and activities related thereto to be developed and operated by the IHA.

homebuyer account in the MH Program credited with the

amount of any periodic or occasional voluntary payments in excess of the required monthly payments.

Article II MH Contribution.

The MH contribution may consist of land, labor, cash, materials, equipment, or any combination thereof. Contributions other than labor may be made by an Indian Tribe on behalf of a family.

2.1 Land Contributions.

(a) Land as identified in Exhibit A of this Agreement has been leased or conveyed to the IHA, or will be so leased or conveyed before execution of the Construction Contract, as a contributed site for the Home. This land is valued at \$_____, which will reduce the Total Contract Price to \$_____.

(b) The Homebuyer's share (MH credit) is \$_____.

2.2 MH Work Contribution.

(a) Amount. The Homebuyer shall provide work of a total value of \$_____ as a contribution to the development of the Project.

(b) Homebuyer's Work Obligation.

(1) The homebuyer shall provide the work obligation under the direction of the construction contractor on jobs assigned to the homebuyer by the contractor. The work shall be performed in a diligent and workmanlike manner. The work obligation of the homebuyer may be performed by members of the family. The work may also be performed by members of the family. The work may also be performed by an arrangement for others (relatives or friends, for example) to work on the homebuyer's behalf, but only with the approval of the IHA and the contractor.

(2) Prior to the submission of a proposal or a bid for construction of the Project, or prior to execution of the Construction Contract, the bidder or contractor shall be permitted to review information relating to the ability and capacity of the Homebuyer to provide MH work and to interview those who are to perform the work, with regard to this information.

(c) Assignment and Valuation of Jobs.

(1) The specific jobs to be performed by Homebuyers, and the value of each job, shall be listed in an appendix to the Construction Contract, which shall be available for inspection by the Homebuyer. The Homebuyer may be assigned to any of the listed jobs, and may be reassigned from one job to another during the course of construction. However, the total value of the jobs assigned to the Homebuyer's credit will not exceed \$1500 per homesite of the MH work the Homebuyer is required to provide as stated in Section

2.2(a) of this Agreement.

(2) The Homebuyer shall provide as many hours of work, recorded in accordance with the contractor's system approved by the IHA, as necessary to complete the assigned jobs. The credit (not to exceed \$1500 per homesite) given the Homebuyer shall be the value of the assigned jobs, regardless of the number of hours actually worked to perform the jobs.

(3) As an alternative, the contractor may make assignments to the Homebuyer in terms of numbers of hours of work. In that event, the Homebuyer shall be credited (not to exceed \$1500 per homesite) with the full MH work contribution when the number of hours of work assigned to the homebuyer has been completed.

(d) Failure to Provide MH work.

(1) The IHA may terminate this Agreement if the Homebuyer is unable or unwilling to provide, or for any other reason not to provide the MH work obligation.

(2) If in the judgment of the contractor a Homebuyer is not meeting his/her MH work obligations, the contractor may request the assistance of the IHA. Where the deficiency cannot otherwise be remedied, the contractor may request the IHA to terminate this Agreement and select another Homebuyer to provide the MH work.

(3) If the contractor calls upon the IHA to terminate this Agreement and the contractor furnishes to the IHA sufficient proof of the alleged nonperformance by the Homebuyer, the IHA shall then take the action called for by the contractor.

(e) Workmen's Compensation Insurance. The contractor shall provide Workmen's Compensation Insurance for members of the Homebuyer's family or others who perform MH work. If such insurance is not available, the contractor shall obtain private insurance of substantially comparable coverage.

2.3 Cash Contribution.

(a) The Homebuyer agrees to make a cash contribution to the Project in the amount of \$_____ which shall be paid in full to the IHA not later than the date the Home is available for occupancy in accordance with the following schedule:

Dates for Payment

Amounts

(b) If a cash contribution to the Project is to be made by the tribe, as evidenced by a tribal resolution given to the IHA, the Homebuyer's share (MH credit) of this contribution is \$_____.

2.4 Materials or Equipment Contribution.

If any part of the Contribution is to be provided by furnishing materials or equipment to the Project, such contribution shall be provided and accounted for in accordance with the special provisions of the Construction Contract covering such contribution. In accordance with the special provisions of the Construction Contract, the amount of the Contribution credit to the Homebuyer is \$_____.

2.5 Disposition of Contributions on Termination Before Date of Occupancy.

If this Agreement is terminated by the IHA or the Homebuyer before the Date of Occupancy, the Homebuyer shall not receive any reimbursement or return of property on account of any contribution, unless the IHA makes a determination, subject to HUD approval, that the termination is warranted by reason of unforeseen compelling circumstances. If such a determination is made:

(a) The Homebuyer may be reimbursed for any cash, materials or equipment contributed by the Homebuyer.

(b) If the Homebuyer contributed land as a Project site, the site may be returned to the Homebuyer if (1) construction has not started on the site or construction on the site is minimal, and (2) if it affects the scope of the Construction Contract, an appropriate reduction in the Total Contract Price and Price Payable to Contractor has been agreed to with the contractor. If the site is not returned and is used in the Project, the Homebuyer shall be reimbursed the amount specified in Section 2.1 (a) of this Agreement for such land contribution.

(c) The Homebuyer shall have no right to any reimbursement or return of property on account of any tribal contribution, or on account of the value of any MH work contribution.

2.6 Adjustment of MH Credit and/or Contribution Because of Termination of an MHO Agreement.

(a) The amount of any credit for contributions by a terminated Homebuyer, other than a contribution for which reimbursement was made in accordance with Section 2.5 shall be credited in equal shares to the nonrefundable reserves of all the Homebuyers in the Project including a substitute Homebuyer.

(b) The Homebuyer agrees that the termination of any MHO Agreement with respect to the Project, and/or the selections of a substitute Homebuyer, may require an adjustment of the Homebuyer's MH credit and/or contribution as set forth in Sections 2.1 through

(1) In order that there shall be a record of the

2.4. Any such adjustments shall be determined by the IHA after consultation with the Homebuyers and the contractor. The Homebuyer agrees to abide by the IHA's determination as to the amount and kind of such adjustment.

Article III Actions Upon Completion; commencement of Occupancy

3.1 Notice.

(a) Upon acceptance by the IHA from the contractor of the Home as ready for occupancy, the IHA shall determine whether the homebuyer has met all requirements for occupancy, including meeting the MH Contribution requirements. In the event of an affirmative determination, the homebuyer shall be notified in writing that the home is available for occupancy as of a date specified in the notice ("Date of Occupancy").

(b) If the IHA determines that the homebuyer has not fully provided the MH Contribution or met any of the other conditions of occupancy the homebuyer shall be notified in writing and:

(1) the notice shall specify the date by which all requirements must be satisfied; and

(2) shall advise the homebuyer that the MHO Agreement will be terminated and a substitute homebuyer selected for the unit if the requirements are not satisfied.

3.2 Lease Term

The term of the homebuyer's lease under this Agreement shall commence on the first day of the calendar month following the Date of Occupancy and shall expire when the Initial Purchase Price has been amortized in accordance with the Homebuyer's Purchase Price Schedule (see Sections 7.2(b) and 7.3(b) unless this Agreement is previously terminated or the homebuyer previously acquires ownership of the Home.

3.3 Credits to Reserves and Accounts.

Promptly after the Date of Occupancy, the IHA shall credit the amount of the MH Contributions to the appropriate reserves and accounts in accordance with Article VI and shall provide the Homebuyer a statement of the amounts so credited.

Article IV Inspections and Warranties; Maintenance, Utilities, and Use of Home.

(a) Inspection before Move-in and Identification of Warranties.

condition of the home as of the date of occupancy, an

inspection of the home by the IHA and the homebuyer shall be made as close as possible to, but not later than, the date of occupancy. (The record of this inspection and the certificate of completion, required by 24 CFR Part 905.265, are separate certificates, but the inspections may, if feasible, be combined.) After inspection, the IHA representative shall give the homebuyer a written statement, signed by the representative, of the condition of the home and equipment. If the homebuyer concurs with the statement, homebuyer shall sign a copy of the statement. If the homebuyer does not concur, a statement of objections shall be made. The representative shall note all such objections on the statement, and the differences shall be resolved by the IHA. This written statement of the condition of the home shall not limit the homebuyer's right to claim the defects in construction that may be covered by warranties.

(2) Within 30 days of commencement of occupancy of the home, the IHA shall furnish the home buyer with a list of applicable contractors', manufacturers' and suppliers' warranties indicating the items covered and the periods of the warranties.

(b) Inspections during contractors' warranty periods', responsibility for items covered by contractors', manufacturers' or suppliers' warranties. In addition to inspection required under Section 4.1(a), the IHA will inspect the home regularly in accordance with paragraph (c). The IHA shall notify the home buyer in writing that it shall be the responsibility of the home buyer during the period covered by Section 4.1(a) and subsequently for the duration of the applicable warranties, to promptly inform the IHA in writing of any deficiencies arising during the warranty period:(including manufacturers' and suppliers' warranties) so that the IHA may enforce any rights under the applicable warranties. If a homebuyer fails to furnish such a written report in time, and the IHA is subsequently unable to obtain redress under the warranty, correction of the deficiency shall be the responsibility of the homebuyer.

(c) Annual Inspections. The IHA shall inspect each dwelling unit at least once during the contractors' warranty period, which begins three months after the memorandum of acceptance for occupancy is executed by the IHA and HUD. A final inspection shall be made in time to exercise the IHA's rights before expiration of the contractor's warranties. Each inspection shall cover all items under warranty at the time of inspection, including items covered by manufacturers' and suppliers' warranties. At each inspection, the IHA shall obtain signed statement from

(c) IHA Responsibility in MH projects. The IHA shall enforce those provisions of a Homebuyers

the occupants as to any deficiency in the structure, equipment, grounds, etc., so that it may enforce any rights under applicable warranties.

(d) Inspection Upon Termination of Agreement. If this Agreement is terminated for any reason after commencement of occupancy, the IHA shall inspect the home after notifying the homebuyer of the time for the inspection, and shall give the homebuyer a written statement of the cost of any maintenance work required to put the home in satisfactory condition for the next occupant (see Section 9.4 (a).)

(e) Homebuyer's Permission for Inspections; Participation in Inspections. The homebuyer agrees to permit the IHA to inspect the home at reasonable hours and intervals during the lease term in accordance with rules established by the IHA. The homebuyer shall be notified that the homebuyer or homebuyer's representative may join in any inspection made pursuant to this section.

4.2 Maintenance.

(a) Homebuyer's Responsibility for Maintenance. The homebuyer shall be responsible for all maintenance of the home, including all repairs and replacements (including repairs and replacements necessitated by damage from any cause). The IHA shall not be obligated to pay for or to provide any maintenance of the home other than the correction of warranty items reported during the applicable warranty period.

(b) Homebuyer's Failure to Perform Maintenance.

(1) Failure of the homebuyer to perform the maintenance obligations constitutes a breach of the Agreement. Upon a determination by the IHA that a breach of this Agreement. Upon a determination by the IHA that a breach has occurred, the IHA shall require the homebuyer to agree to a specific plan of action to cure the breach and to assure future compliance. The plan shall provide for maintenance work to be done within a reasonable time by the homebuyer, or to be done by the IHA and charged to the homebuyer's MEPA. If the homebuyer fails to agree to a reasonable plan or fails to carry out the agreed-to plan, this Agreement shall be terminated in accordance with Sections 9.1 and 9.2.

(2) If the condition of the property creates a hazard to the life, health or safety of the occupants, the IHA shall have the work done, and charge the cost thereof to the homebuyer's MEPA in accordance with Section 6.3 (a).

(3) Any maintenance work performed by the IHA shall be accounted for through a work order stating the nature of and charge for the work. The homebuyer shall receive a copy of all work orders for his home.

Agreement under which the homebuyer is responsible for maintenance of the home. The IHA has overall

responsibility to HUD for assuring that the housing is being kept in decent, safe and sanitary condition, and that the home and grounds are maintained in a manner that will preserve their condition, normal wear and tear accepted. Failure of a home buyer to meet the obligations for maintenance shall not relieve the IHA of responsibility in this respect. Accordingly accept as discussed below, the IHA shall conduct a complete interior and exterior examination of each home at least once a year, and shall furnish a copy of the inspection report to the home buyer. The IHA shall take appropriate action, as needed, to remedy conditions shown by the inspection, including steps to assure performance of the Home buyers obligations under the home buyer's agreement, The IHA may inspect the home once every three years, in lieu of an annual inspection only where the home buyer is in full compliance with the original terms of the Home buyers agreement, and the home is maintained in decent, safe, and sanitary conditions, as reflected by the last inspection by the IHA. However, if at any time the IHA determines that the home buyer is not in compliance with the Home buyers agreement, it must reinstate annual inspections.

4.3 Home buyers Responsibility for Utilities

The Home buyer agrees to pay for all utility charges. The IHA shall have no obligation to do so. However, if the IHA determines that the home buyer is unable to provide his utilities, and that this inability creates conditions which are hazardous to the life, health or safety of the occupants, the IHA may provide the utilities and charge the home buyers MEPA for doing so (subject, however, to the limitation provided at Section 6.3 (d)). When the home buyers account has been exhausted, the IHA may pursue termination of the home buyer agreement and may offer the home buyer a transfer into the rental program.

4.4 Obligations with Respect to Home and Other Persons and Property

(a) The home buyer agrees:

(1) To use the home only as the principal residence for (I) Home buyers family listed in a schedule appended to this Agreement, (ii) children born to or adopted by members of such family after the date of this Agreement and foster children, (iii) persons providing live-in care of a member of the Home buyers family, and (iv) aged or widowed parents of the home buyer of spouse. Other family members may live in the home only with prior written approval of the IHA. The home buyer shall not make any structural changes in or additions to the home unless the IHA has first determined in writing that such change would not (a)

approval of the IHA;

(2) Not to sublet the home without the prior written approval of the IHA. Once approval has been granted the home buyer to sublet, the home buyer will still be responsible for assuring that required monthly payments and maintenance of the unit is maintained during the term of the sublease;

(3) To abide by necessary and reasonable regulations promulgated by the IHA for the benefit and well-being of the project and the Home buyers, which shall be prominently posted in the IHA office;

(4) To comply with all obligations imposed upon Home buyers by applicable provisions of building and housing codes materially affecting health and safety;

(5) To keep the home and such other areas as may be assigned in a clean and safe condition;

(6) To dispose of all ashes, garbage, rubbish and other waste from the home in a sanitary and safe manner;

(7) To use only in a reasonable manner all electrical, plumbing, sanitary, heating (wood-burning stoves fuels, if applicable), ventilating, air-conditioning and other facilities and appurtenances;

(8) To refrain from, and to cause the household and guests to refrain from destroying, defacing, damaging or removing any part of the home or project;

(9) To refrain from use and sale of drugs and other illegal activities (e.g. gambling, etc..) Which impairs the physical and social environment of the project; and

(10) To cause all family members or other persons who are on the premises with Home buyers consent to conduct themselves in a manner which will not disturb his neighbors' peaceful enjoyment of their accommodations and will be conducive to maintaining the project in a decent, safe and sanitary condition.

(b) The home buyer may request IHA permission to operate a small business in the unit. An IHA may grant this authority where the home buyer provides the following assurances and may rescind this authority upon violation of any of the following assurances:

(1) The unit will remain the Home buyers principal residence;

(2) The business activity will not disrupt the basic residential nature of the housing site; and

(3) The business will not require permanent structural changes to the unit that could deter from future Home buyers use of the unit.

(c) The IHA will not be liable for any damages or costs to the unit associated with the Home buyers business.

4.5 Structural Changes

impair the value of the home, the surrounding homes or the project as a whole; or (b) affect the use of the home for residential purposes; or (c) violate HUD requirements as

to construction and design. Any changes made in accordance with this section shall be at the Home buyers expense (and not from any Reserves or Accounts created under this Agreement), and in the event of termination of this Agreement the home buyer shall not be entitled to any compensation for such changes or additions.

Article V Required Monthly Payments

5.1 Establishment of Schedule

(a) The home buyer shall pay to the IHA during the term of the lease a monthly payment ("Required Monthly Payment") in accordance with a schedule determined by the IHA and approved by HUD. The schedule will provide that the minimum required monthly payment equal the administration charge.

(b) Each home buyer shall pay an amount of required monthly payment computed by:

- (1) Multiplying adjusted income by a specified percentage; and
 - (2) Subtracting from that amount the utility allowance determined for the unit.
- The specific percentage shall be no less than 15 percent and no more than 30 percent, as determined by the IHA and approved by HUD.

(c) The IHA's schedule may provide that the required monthly payment shall not be more than a maximum amount. The maximum shall not be less than the sum of:

- (1) The administration charge; and
- (2) The monthly debt service amount shown on the Home buyers purchase price schedule.

(d) If the required monthly payment exceeds the administration charge, the amount of the excess shall be credited to the Home buyers Monthly Equity Payments Account (MEPA) (see Section 6.2 (a)).

5.2 Administration Charge

The administration charge must cover operating expense as defined in Section 1.2, and any other operating expense categories included in the IHA's HUD-approved operating budget for a fiscal year or the budget period, and may reflect differences in expenses attributable to different sizes or types of units.

5.3 Adjustments in the Amount of the Required Monthly Payment

(a) After the initial determination of the Home buyers required monthly payment, the IHA shall increase or decrease the amount of such payment to reflect changes in the Home buyers circumstances,

composition or income (pursuant to a re-examination by the IHA), or adjustments in the administration charge or in the utility deduction.

(b) To accommodate wide fluctuations in required monthly payments due to seasonal conditions, an IHA may agree with any home buyer for payments to be made in accordance with a seasonally adjusted schedule which assures full payment of the required amount for each year.

Article VI Home buyer's Reserves and Accounts

6.1 Refundable and Nonrefundable MH Reserves ("Reserves")

(a) The IHA shall establish as of the date of occupancy separate refundable and nonrefundable MH Reserves for the Home buyer.

(b) The refundable MH reserve shall represent a Home buyers interest in funds that may be used to purchase the home at the option of the home buyer. The IHA shall credit this account with the amount of the Home buyers non-land MH contribution.

(c) The nonrefundable MH Reserve shall also represent a Home buyers interest in funds that may be used to purchase the home at the option of the home buyer. The IHA shall credit this account with the amount of the Home buyers share of any credits for land contributions to the project and the Home buyers share of any credit for non ?? Contributions by a terminated home buyer.

6.2 Equity Accounts ("Accounts")

(a) Monthly Equity Payments Account ("MEPA"). The IHA shall maintain a separate MEPA for each home buyer. The IHA Shall, as provided in Section 5.1 (d), credit this account with the amount by which each required monthly payment exceeds the administration charge. Should the home buyer fail to pay the required monthly payment, the IHA may elect to reduce the MEPA by the amount owed each month towards the administration charge, until the MEPA has been fully expended.

(b) Voluntary Equity Payments Account ("VEPA"). The IHA shall maintain a separate VEPA for the home buyer. The IHA shall credit this account with the amounts of any periodic or occasional voluntary payments (over and above his required monthly payments) the home buyer may desire to make to acquire ownership of the home within a shorter period of time.

(c) Investment of Excess. The aggregate amount of funds held by the IHA in the MEPA's and VEPA's of all Home buyers in the project shall be invested in federally insured savings accounts, in federally insured credit unions, or in securities approved by HUD. Income earned on the investment of such funds shall periodically, but at least annually, be prorated and credited to the Home

buyers MEPA's and VEPA's, in proportion to the amount in each such account on the date of proration.

6.3 Charges for Maintenance

(a) If the IHA has maintenance work done in accordance with Section 4.2 (b)(2), the cost thereof shall be charged to the Homebuyers MEPA.

(b) At the end of each fiscal year, the debit balance, if any, in the Home buyers MEPA shall be charged, first, to the VEPA, second, to the refundable MH reserve and third, to the nonrefundable MH reserve, to the extent of the credit balances in such accounts and reserves.

(c) In lieu of charging the debit balance in the MEPA to the homebuyer's refundable MH reserve and/or nonrefundable MH reserve, to the extent of the credit balances in such accounts and reserves.

(d) The IHA shall at no time permit the accumulation of a debit balance in the MEPA in excess of the sum of the credit balances in the expenditure is required to alleviate a hazard to the life, health or safety of the occupants or to alleviate an immediate risk of serious damage to the property.

6.4 Disposition of Reserves and Accounts

When the home buyer purchases the home, the balances in the Home buyers reserves and accounts shall be disposed of in accordance with Section 7.5[©] and (d). When the home buyer or the IHA terminates the MHO Agreement, the balances in the Home buyers reserves and accounts shall be disposed of in accordance with Section 9.4.

Use of Reserves and Accounts; nonassignability

The home buyer shall have no right to receive or use the funds in any reserve or account except as provided in this Agreement, and the home buyer shall not, without the approval of the IHA and HUD, assign, mortgage or pledge any right in this Agreement or to any reserve or account.

Article VII Purchase of Home

7.1 General

The home buyer may at the Home buyers option purchase the home on or after the date of occupancy, but only if the home buyer has met all of his obligations under this Agreement. The IHA provides the family an opportunity to purchase the dwelling under the MHO Agreement, under which the purchase price declines over the period of occupancy. Other methods of acquiring ownership are for the family to

(a) Determination of Initial Purchase Price.

obtain financing to cover the purchase price from the IHA or an outside source, using such methods as mortgage (FHA), or a loan agreement. If the home buyer is able to obtain financing from an outside source, the IHA will release the home buyer from the MHO agreement and terminate the Home buyers participation in this program. For acquisition under other methods, see Section 7.6.

7.2 Purchase Price and Purchase Price Schedule

(a) Determination of Initial Purchase Price. If the home buyer is the one who first occupies the Home pursuant to an MHO Agreement, the IHA shall determine the Initial Purchase Price of the Home as follows:

Step 1: From the estimated Total Development Cost (including the full amount for contingencies as authorized by HUD) of the project as shown in the development cost budget in effect at the time of execution of the Construction Contract, deduct the amounts, if any, attributable to (1) relocation costs, (2) counseling costs, and (3) the cost of any community, administration or management facilities, including the land, equipment and furnishings attributable to such facilities as set forth in the Development Program for the project, and (4) the total amount attributable to land for the project.

Step 2: Multiply the amount determined in Step 1 by a fraction of which the numerator is the development cost for the size and type of home being constructed for the home buyer, and the denominator is the sum of the unit development costs standards for the homes of various sizes and types comprising the project.

Step 3: Determine the amount chargeable to development cost, if any, for acquisition of the homesite.

Step 4: Add the amount determined in Step 3 to the amount determined in Step 2. The sum determined under this step shall be this initial purchase price of the home.

(b) Purchase Price Schedule. As promptly as possible after execution of the Construction Contract, the IHA shall furnish to the home buyer a statement of the initial purchase price of the home and a purchase price schedule. The purchase price schedule shall show the monthly amortization of the initial purchase price over a 25-year period. The schedule shall be computed on the basis of a rate of interest determined by the IHA, provided that the rate does not exceed the prevailing interest rate for Veteran Administration (VA) guaranteed mortgage loans. The IHA may choose to forego charging interest and calculate the payment with interest rate at zero.

7.3 Initial Purchase Price and Purchase Price Schedule for Subsequent Home buyer

When a subsequent home buyer executes the MHO

Agreement, the purchase price for the subsequent home buyer shall be the lower of the current appraised value or the current replacement cost of the home, both as determined or approved by HUD.

(b) Purchase Price Schedule. Each subsequent home buyer shall be provided with a purchase price schedule showing the monthly declining purchase price over the term of the MHO agreement, commencing with the first day of the month following the effective date of the agreement.

7.4 Notice of Eligibility for Financing

If the IHA offers IHA home ownership financing in accordance with Section 8.1 and has funds available for that purpose, it shall determine, at the time of each examination or re-examination of the family's earnings and other income, whether the home buyer is eligible for that financing. If the IHA determines that the home buyer is eligible, the IHA shall notify the home buyer in writing that IHA financing is available to enable the home buyer to purchase the home, if the home buyer wishes to purchase. If the home buyer chooses not to purchase the home at that time, all rights and obligations of the Home buyers shall continue under the MHO Agreement. The IHA may convey ownership of the home when the home buyer exercises the option to purchase and has complied with all the terms of the MHO Agreement. The home buyer can exercise the option to purchase only by written notice to the IHA, in which the home buyer specifies the manner in which the purchase price and settlement costs will be paid.

7.5 Conveyance of Home

(a) Option to Purchase. The home buyer may exercise the option to purchase the home when the balance of the purchase price can be covered from: the amount in the two equity accounts (MEPA and VEPA); the amount in the equity accounts together with the reserves or any other funds of the home buyer; or IHA financing together with funds from these other sources.

(b) Amounts to be Paid. The purchase price shall be the amount shown on the purchase price schedule for the month in which the settlement date falls.

(c) Settlement Costs. Settlement Costs are the costs incidental to acquiring ownership, including, e.g./ the cost and fees for credit report, field survey, title examination, title insurance, inspections, attorneys other than the IHA's attorney, closing, recording, transfer taxes, financing fees and mortgage loan discounts. Settlement Costs shall be paid by the home buyer, who may use any reserves or accounts available for this purpose in accordance with Section

7.5 (c).

(d) Disposition of Home buyer Accounts and Reserves. When the home buyer purchases the home, the net credit balances in the Home buyers equity accounts (MEPA and VEPA) as described in Article VIII, supplemented by the nonrefundable MH reserve and then the refundable MH reserve, shall be applied in the following order:

(1) For the initial payment fire and extended coverage insurance on the home after conveyance, if the IHA finances purchase of the home in accordance with Article VIII;

(2) For Settlement costs if the home buyer so directs;

(3) For the purchase price; and

(4) For balance, if any, for refund to the home buyer.

(e) Settlement. The settlement date shall be mutually agreed upon by the parties. On the settlement date the home buyer shall receive the documents necessary to convey to the home buyer the IHA's right, title and interest in the home, subject to any applicable restriction or covenants as expressed in such documents. The required documents shall be approved by the attorneys representing the IHA and HUD and by the home buyer or the home buyer's attorney.

(f) IHA Investment and Use of Purchase Price Payments. After conveyance, all home buyer funds held or received by the IHA from the sale of a unit in a project financed with grants shall be held separate from other project funds, and shall be used for modernization of IHA owned projects, or the development, or acquisition and rehabilitation of other properties to be operated as lower income housing.

Funds held or received by the IHA from the sale of a unit financed by ??? are subject to loan forgiveness. Home buyer funds include the amount applied to payment of the purchase price from the equity accounts (MEPA and VEPA), any cash paid by the home buyer for application to the purchase price and, of the IHA finances purchases of the home in accordance with Article VIII, any portion of the mortgage payments by the homeowner attributable to payment of the debt service (principal and interest) on the mortgage.

(g) Removal of the Home from MH Program. When a home has been conveyed to the home buyer, whether or not with IHA financing, the unit is removed from the IHA's MH project under its ACT with HUD if the IHA has provided financing, its relationship with the homeowner is transformed by the conveyance to that of lender,, in accordance with documents executed during settlement.

Article VIII IHA Home ownership Financing

8.1 Eligibility.

If the IHA offers home ownership financing, the home buyer is eligible for it when the IHA determines that:

(a) The home buyer can pay (from the balance in the home buyer's reserves or accounts, or from other sources):

- (1) The amount necessary for settlement costs;
- (2) The initial payment for fire and extended coverage insurance carried on the home after conveyance; and
- (3) Maintenance reserve (at the option of the IHA).

(b) The home buyer's income has reached the level, and is likely to continue at such level, at which 30 percent of monthly adjusted income is at least equal to the sum of the monthly adjusted income is at least equal to the sum of the monthly debt service amount shown on the home buyer's purchase price schedule and the IHA's estimates (subject to approval by HUD) of the following monthly payments and allowances:

- (1) Payment for fire and extended coverage insurance;
- (2) Payment for taxes and special assessments, if any;
- (3) The IHA mortgage servicing charge;
- (4) Amount necessary for maintenance of the home; and
- (5) Amount necessary for utilities for the home.

(Additional information relative to IHA Financing will be provided to Home buyers upon request.)

Article IX termination of MHO Agreement

9.1 Termination Upon Breach.

(a) In the event the home buyer fails to comply with any of the obligations under this agreement, the IHA may terminate the agreement by written notice to the home buyer, enforced by eviction procedures applicable to landlord-tenant relationships.

Foreclosure is an inappropriate method for enforcing termination of the home ownership agreement, which constitutes a lease (with an option to purchase). The home buyer is a lessee during the term of the agreement and acquires no equitable interest in the home until the option to purchase is exercised.

(b) Misrepresentation or withholding of material information in applying for admission or in connection with any subsequent re-examination of income and family composition constitutes a breach of the home buyer's obligations under this agreement.

(b) If after making the charges in accordance with Section 9.4(a), there is a debit balance in the MEPA, the IHA shall charge that debit balance, first, to the

"Termination" as used in this agreement, does not include acquisition of ownership by the home buyer.

9.2 Notice of Termination of MHO Agreement by IHA, Right of Home buyer to Respond

Termination of this agreement by the IHA for any reason shall be by written notice of termination. Such notice shall be in compliance with the terms of this agreement and, in all cases, shall afford a fair and reasonable opportunity to have the home buyers response heard and considered by the IHA. Such procedures shall comply with the Indian Civil Rights Act, if applicable, and shall incorporate all the steps and provisions needed to comply with state, local, or tribal law, with the least possible delay.

9.3 Termination of MHO Agreement by Home buyer

The Home buyer may terminate this agreement by giving the IHA written notice in accordance with the agreement. If the Home buyer vacates the home without notice to the IHA the Home buyer shall remain subject to the obligations of this agreement including the obligation to make monthly payments until the IHA terminates the agreement in writing. Notice of the termination shall be communicated by the IHA to the Home buyer to the extent feasible and the termination shall be effective on the date stated in the notice.

9.4 Disposition of Funds Upon Termination of the MHO Agreement

If this agreement is terminated, the balances in the Home buyer's accounts and reserves shall be disposed of as follows:

- (a) The MEPA shall be charged with:
 - (1) Any maintenance and replacement costs incurred by the IHA to prepare the home for the next occupant;
 - (2) Any amounts the Home buyer owes the IHA including required monthly payments;
 - (3) The required monthly payment for the period the home is vacant, not to exceed 30 days from the date of receipt of the Notice of Termination, or if the Home buyer vacates the home without notice to the IHA, for the period ending with the effective date of termination by the IHA; and
 - (4) The cost securing a vacant unit, the cost of notification and associated termination tasks, and the cost of storage and/or disposition of personal property.

Voluntary Equity Payments Account (VEPA), second, to the refundable MH reserve and, third, to the nonrefundable ??? Reserve, to the extent of the credit

10.3 Succession by Person Designated by Home buyer

Upon occurrence of an "event", the person designated as the successor, in Section 10.2(b) shall succeed to the former Home buyer's rights and responsibilities under this agreement if the designated successor meets the following conditions:

(a) The successor is a family member and will make the home his or her primary residence;

(b) The successor is willing and able to pay the required monthly payment of at least the administration charge and to perform the obligations of this agreement;

(c) The successor executes an assumption of the former Home buyer's obligations under the MHO agreement.

10.4 Designation of Successor by IHA

If at the time of the "event" there is no successor designated by the Home buyer, or if any of the conditions in Section 10.3 are not met by the designated successor, the IHA may designate, in accordance with its occupancy policy, any person who qualifies under Section 10.3.

10.5 Occupancy by Appointed Guardian

If at the time of the "event" there is no qualified successor designated by the Home buyer or by the IHA in accordance with the foregoing provisions of this Article, and a minor child or children of the former Home buyer are living in the home, the IHA may, in order to protect their continued occupancy and opportunity for acquiring ownership of the home, approve as occupant of the home an appropriate adult who has been appointed legal guardian of the children with a duty to perform the obligations of this agreement in their interest and behalf.

10.6 Succession and Occupancy on Trust Land

In the case of a home on trust land subject to restriction on alienation under federal or state law (including federal trust or restricted land and land subject to trust or restriction under state law), a person who is prohibited by law from succeeding to the IHA's interest in such land may, nevertheless, continue in occupancy with all the rights, obligations and benefits

(c) Suspension of Payments. In the event of termination of this agreement because of damage or destruction of the home, or if the home must be vacated during the repair period, required monthly payments shall be suspended during the vacancy period.

of this agreement, modified to conform to these restrictions on succession to the land.

10.7 Termination in Absence of Qualified Successor or Occupant

If there is no qualified successor in accordance with the IHA's approved policy, the IHA shall terminate this agreement and select a subsequent Home buyer to occupy the unit under a new MHO agreement. If a new Home buyer is unavailable or if the home cannot continue to be used for lower income housing in accordance with Mutual Help program, the IHA may submit an application to HUD to approve a disposition of the home, in accordance with 24 CFR, Part 905.921.

Article XI Miscellaneous

11.1 Annual Statement to Home buyer

The IHA shall provide an annual statement to the Home buyer that sets forth the credits and debits to the Home buyer's equity accounts and reserves during the year and the balance in each account at the end of each IHA fiscal year. The statement shall also set forth the remaining balance of the purchase price.

11.2 Insurance Before Transfer of Ownership, Repair or Rebuilding

(a) Insurance. The IHA shall carry all insurance prescribed by HUD, including fire and extended coverage insurance upon the home.

(b) Repair or Rebuilding. In the event the home is damaged or destroyed by fire or other casualty, the IHA shall consult with the Home buyer as to whether the home shall be repaired or rebuilt. The IHA shall use the insurance proceeds to have the home repaired or rebuilt unless there is good reason for not doing so. In the event the IHA determines that there is a good reason why the home should not be repaired or rebuilt and the Home buyer disagrees, the matter shall be submitted to HUD for final determination. If the final determination is that the home should not be repaired or rebuilt, the IHA shall terminate this agreement, and the Home buyer's obligation to make required monthly payments shall be deemed to have terminated as of the date of the damage or destruction. The Home buyer shall in no event be entitled to any portion of the insurance proceeds upon such damage or destruction.

11.3 Notices

Any notice by the IHA to the Home buyer required under this agreement or by law shall be delivered in writing to the home buyer personally or to any adult member of the

Home buyer's family residing in the home, or shall be sent by certified mail, return receipt requested, properly addressed, postage prepaid. Notice to the IHA shall be in writing, and either delivered to an IHA employee at the office of the IHA or sent to the IHA by certified mail, return receipt requested, properly addressed, postage prepaid.

11.4 Counseling of Home buyers

The IHA shall provide counseling to home buyers to develop a full understanding by home buyers of their financial and social responsibilities as participants in the MH project. Each Home buyer shall be required to participate in counseling activities, and failure without good cause to participate in counseling activities, shall constitute a breach of this agreement.

Article XII Cross-References to Defined Terms

ACC. Sec. 1.1
Administration Charge. Sec. 1.2
Agreement. Sec. 1.1
Date of Occupancy. Sec. 3.1
Event. Sec. 10.1
Home. Sec. 1.2
Home buyer. Sec. 1.2
Homeowner. Sec. 1.2
HUD. Sec. 1.2
IHA. Sec. 1.1
IHA Home ownership Financing. Sec. 1.2, Sec. 8.1
Initial Purchase Price. Sec. 7.2(a), 7.3(a)
Maintenance Credit. Sec. 4.2(b)(2)
Maintenance Reserve. Sec. 6.3(a)
MEPA. Secs. 1.2, 6.2(a)
MH. Sec. 1.2
MH Contribution. Sec. 1.2, Sec. 2
MHO Agreement. Sec. 1.2
MH Program. Sec. 1.2
Mortgage. Sec. 8.2(a)
Mortgage Amortization Schedule. Sec. 8.2(b)
Nonrefundable MH Reserve. Sec. 6.1
Notice of Termination. Sec. 9.2
Project. Sec. 1.2
Purchase Price Schedule. Sec. 7.2(b), 7.3(b)
Refundable MH Reserve. Sec. 6.1
Required Monthly Payment. Sec. 5.1(a)
Settlement Costs. Sec. 7.5[©]
Subsequent Home buyer. Sec. 7.3(a)
Termination. Sec. 9.1
Utilities. Sec. 4.3
Utility Deduction. Sec. 4.3, 5.3(a)
Voluntary Equity Payments Account. Secs. 1.2, 6.2(b)
Work Order. Sec. 4.2(b)(3)