



The  
Road Home

Program developed by  
Governor Kathleen Babineaux Blanco

BUILDING A SAFER, STRONGER, SMARTER LOUISIANA

November 16, 2006

#### **ACTION NEEDED BY NOVEMBER 27, 2006**

Please find included in this package a letter from Governor Blanco inviting your institution's participation in Louisiana's *Road Home* Program for housing recovery by entering in to a Memorandum of Understanding with the State.

Some of you have received an earlier version of these documents. Others may be looking at them for the first time. For those who have a previous version, know that based on conversations with lenders and investors (FNMA, Freddie Mac, HFA and VA) the *Road Home* has updated the program's Covenants to enhance the partnership between the lenders/servicers, investors, customers, and the *Road Home* Program. Section 4 changes the flood insurance requirement. (Previously the insurance was limited to the outstanding principal balance of the loan.) The update clarifies in Section 8 that the Covenants are not enforced against a First Mortgagee Party in cases of foreclosure and similar actions. And Section 9 provides clarifying language that subsequent owners are held accountable for a breach of their obligations and not the previous owner's failures to comply.

Representatives of FNMA, Freddie Mac, the Veterans Administration and FHA have reviewed the documents and verbally agreed to provide directives to participating institutions. You may have already received, or will receive shortly, their written expectation for your participation in the program.

For those institutions that have already signed the Memorandum of Understanding, thank you, and you need not resend the document. For those who have not signed, we look forward to your institution signing the Memorandum of Understanding to join the *Road Home* Program.

**The Road Home, through the program's partnership with First American, will be providing assistance to thousands of your customers in the next weeks so your reply is urgent.**

If you have any questions regarding the *Road Home* program or becoming a lender partner, please contact Bettie Stapleton at [estapleton@road2la.org](mailto:estapleton@road2la.org).



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November 16, 2006

Dear Lender:

The State of Louisiana's *Road Home* Homeownership Assistance Program is the largest single housing recovery program in U.S. history. The program will provide financial assistance to over 100,000 homeowners for property losses and will assist residents in getting back into a home as quickly and fairly as possible.

I invite your institution to partner with Louisiana in the rebuilding of our great state. The Louisiana Bankers Association, the Mortgage Bankers Association of America, Fannie Mae, Freddie Mac and a committee made up of representatives from lending institutions from across the country worked with us to prepare a Memorandum of Understanding and a set of Best Practices that will allow the lending community to participate in the *Road Home* program. The enclosed Memorandum of Understanding and accompanying Best Practices document outline how lenders can work with homeowners to manage *Road Home* funds in disbursement accounts and assist homeowners as they make personal choices about reinvestment in their properties.

To become a lender partner with the *Road Home* please review and sign the enclosed Memorandum of Understanding. The document is an agreement with the State of Louisiana, Division of Administration, Office of Community Development (OCD) and your institution.

Please be sure to complete the point of contact information so we can continue to be in touch with you.

I am pleased that the lending community will be partnering with the *Road Home* program as we rebuild our neighborhoods and re-establish communities.

Please return the signed document to:  
Bettsie Stapleton  
The Road Home Program  
P.O. Box 4549  
Baton Rouge, LA 70821

If you have any questions regarding the *Road Home* program or becoming a lender partner, please contact Bettsie Stapleton at [estapleton@road2la.org](mailto:estapleton@road2la.org).

On behalf of the citizens of Louisiana, thank you for your partnership and support in the *Road Home* program. I look forward to working together with you to bring our citizens home.

Sincerely,

Kathleen Babineaux Blanco  
Governor

**THE ROAD HOME**  
**LENDER MEMORANDUM OF UNDERSTANDING**

This Memorandum of Understanding ("**MOU**") is executed as of this \_\_\_ day of \_\_\_\_\_, 200\_\_ by and between \_\_\_\_\_ ("**Servicer**") and the State of Louisiana, Division of Administration, Office of Community Development ("**OCD**") to reflect the understanding and agreement of the Servicer and the State with respect to the disbursement of proceeds given to Homeowners (as hereafter defined) under *The Road Home* grant program ("**Program**").

**Introductory Provisions**

OCD and Servicer acknowledge the following, all of which provisions form an integral part of this MOU, and which shall be binding upon the parties hereto in all respects:

- A. OCD is awarding federal grant funds ("**Grant Funds**") for the benefit of eligible homeowners in the State of Louisiana who suffered losses from Hurricane Katrina and/or Hurricane Rita (the "**Homeowners**").
- B. Servicer owns or services mortgage loans (individually a "**Mortgage**", and collectively, the "**Mortgages**") secured by real property in Louisiana which was damaged or destroyed by Hurricane Katrina and/or Hurricane Rita (the "**Mortgaged Property**" or "**Mortgaged Properties**").
- C. With respect to those Homeowners who are approved to receive Grant Funds as compensation for damages, including without limitation damages to the Mortgaged Properties, and pursuant to section 2.7 of the Program Action Plan, OCD desires to work with Servicer to facilitate the disbursement of Grant Funds through standard lending industry "best practices" and through the imposition and enforcement by OCD of certain covenants which will encumber and run with the Mortgaged Properties ("**Covenants**") (a copy of the Covenants is attached hereto as Exhibit "B").
- D. Servicer, pursuant to the terms of the Mortgage documents and as a condition to subordinating its interest to the terms of Covenants, intends to require Grant Funds to be deposited into Disbursement Accounts (as defined in section 2.7 of the Program Action Plan), and disbursed to the Homeowners in a series of progress payments as the repairs to the Mortgaged Properties are completed.
- E. OCD requires Servicers electing to use Disbursement Accounts as a condition of subordinating their interests to the Covenants to use commercially reasonable efforts to follow the disbursement guidelines outlined on Exhibit "A" attached hereto (the "**Guidelines**"), in order to protect the interests of the Homeowner and OCD, and to achieve the goals of OCD and the Program. The Guidelines are intended to follow standard lending industry "best practices" with respect to the disbursement of funds to the Homeowners of properties damaged or destroyed in a natural disaster.

**General Agreements**

In consideration of the foregoing, and for other good and valuable consideration, the receipt and adequacy of which are acknowledged by the parties hereto, OCD and the Servicer agree as follows:

1. OCD will establish Homeowner Assistance Centers to provide counseling to Homeowners regarding (a) the use of Grant Funds, including without limitation advice regarding the repair and restoration of the Homeowners' damaged residence, or relocation to a new residence in Louisiana; and (b) the procedural aspects of the Grant process, including the Servicer's role in establishing Disbursement Accounts, where the Homeowners' damaged residence is a Mortgaged Property.
2. OCD has engaged ICF Emergency Management Services, LLC ("**ICF**") to manage the Program. ICF has engaged First American Title Insurance Company of Louisiana ("**Closing Agent**") to act as closing agent, to coordinate the execution and delivery by the Homeowner of documents required by OCD as a condition

to receipt of the Grant Funds and by Servicers as a condition to the establishment of Disbursement Accounts, and to secure the recordation of the Covenants and the Servicer's subordination agreement.

3. If the Homeowner decides not to repair, restore or rebuild his/her Mortgaged Property, or if repair, rebuilding and restoration is determined by the Homeowner not to be economically feasible (such decisions to be made by the Homeowner, and not OCD or the Servicer), the Grant Funds may only be applied to the Mortgage balance by the Servicer with the required written approval of OCD.
4. The amount of Grant Funds available to a Homeowner will be reduced by certain funds received by the Homeowner and encumbrances affecting the Mortgaged Property (i.e., insurance proceeds, FEMA grants and proceeds, traditional hazard mitigation grant program proceeds from state and/or local governmental agencies, flood insurance proceeds, flood mitigation assistance, Grant program deductions, SBA loans, federal or state liens, local real property tax arrearages and certain recording fees) (the "Deductions"). If the Homeowner elects to repair, rebuild and restore his/her Mortgaged Property, the balance of the Grant Funds after taking such Deductions will be disbursed by Closing Agent to the Servicer and Homeowner(s) jointly for the Homeowner(s)' benefit, for deposit into the Disbursement Accounts.
5. In consideration for the execution of this MOU, Servicer agrees to execute and deliver to (a) the Closing Agent, the Subordination in the form attached hereto as Exhibit "C", with respect to the Mortgaged Property; and (b) the proper local recording authority for the property encumbered by the Mortgage, the Certificate of Final Disbursement in the form attached hereto as Exhibit "D" following final disbursement of the Grant Funds from the Disbursement Account.
6. Servicer will administer the Grant Funds in accordance with the Guidelines. Servicer shall be the custodian of such funds in accordance with the Guidelines. In the event that Homeowner does not expend Grant Funds (excluding excess funds as described in Clause 3.9 of the Guidelines) in the disbursement account, Servicer agrees to remit such funds to OCD immediately upon OCD's written request.
7. State acknowledges that due to the individual circumstances and disaster recovery plans of particular Homeowners, Servicer may not be able to strictly follow the Guidelines in the disbursement of Grant Funds from the Disbursement Accounts. In such instances, Servicer agrees to act in a reasonable and prudent manner and consistent with standard lending practices for disbursing insurance proceeds, provided, however, the Grant Funds may not be applied against the Mortgage balance without the prior written consent of OCD.
8. Servicer shall retain all rights to transfer their servicing assets associated with loans secured by the Mortgaged Property for which Disbursement Accounts are established. If the assignee or transferee of the Servicer cannot accept the Grant Funds and to be bound by this Memorandum and the Guidelines, the Service shall return the undisbursed Grant Funds to OCD, with the written direction of OCD.
9. Servicer may terminate its agreement with the Homeowner to manage and administer his/her Disbursement Account with or without cause upon 30 days prior written notice to the Homeowner and OCD using first class certified mail, return receipt requested, to the addresses of such parties on file with the Servicer. Notice will deemed to have been given by Servicer when deposited in the U.S. Mail in accordance with the provisions set forth in this Section 9.
10. When multiple sources of funds exist for the purpose of repairing or rebuilding the Mortgaged Property (the "Work"), the Servicer shall give insurance proceeds priority over Grant Funds in distribution to the Homeowner and the Contractor(s) with whom the Homeowner may contract to perform the Work (the "Contractor(s)") for such repairs to the Mortgaged Property, or for reimbursement to the Homeowner for repairs to the Mortgaged Property that **have** already been completed.
11. Servicers will use commercially reasonable efforts to follow the provisions of this MOU and the Guidelines when disbursing Grant Funds. If Servicer determines that it will be unable to administer and disburse the

Grant Funds in material compliance with the provisions of this MOU and the Guidelines, Servicer shall contact OCD, and at the written direction of OCD, shall (i) pay the balance of the Grant Funds in the Disbursement Account back to OCD for disbursement to the Homeowner in accordance with the Program requirements; or (ii) pay the balance of the Grant Funds in the Disbursement Accounts back to the Homeowner. Servicers, insurers, guarantors and investors, including government sponsored entities, and their successors and assigns will have no liability or responsibility to the Homeowner or OCD for any failure to rebuild, repair, complete, protect or insure the Mortgaged Property, or for any failure to build or repair the Mortgaged Property to any applicable building code or standard of quality or elevation requirements. Servicers, insurers, guarantors and investors and their successors and assigns are not liable for any costs of labor performed or materials supplied for repairing or rebuilding the Mortgaged Property. Furthermore, Servicers, insurers, guarantors and investors and their successors and assigns are not liable for any waste, fraud or non-performance by the Homeowner or Contractor should he/she use any disbursed Grant Funds for purposes other than those stipulated by the Program, except for Servicer's gross negligence or willful misconduct.

12. This MOU is between Servicer and OCD and no other person or entity is intended to be or shall be construed to be a third party beneficiary of this MOU.
13. This MOU will be governed and construed in accordance with the laws of the State of Louisiana.
14. Time is of the essence. This MOU shall be binding upon and inure to the benefit of the parties hereto and their successors and assigns. This MOU may be executed in any number of counterparts, each of which when fully assembled shall constitute an original of this MOU. This MOU may not be modified or amended without the prior written consent of OCD and the Servicer. In the event any provision of this MOU is deemed to be unenforceable under applicable law, the remaining provisions shall remain in full force and effect, and the unenforceable provision will be modified to the extent possible to conform to applicable laws.

Executed as of the date first written above.

**STATE OF LOUISIANA  
DIVISION OF ADMINISTRATION  
OFFICE OF COMMUNITY DEVELOPMENT**

\_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**SERVICER:**

\_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**THE ROAD HOME**  
**DECLARATION OF COVENANTS RUNNING WITH THE LAND**  
**HURRICANE KATRINA / HURRICANE RITA**

BE IT KNOWN that on this \_\_\_\_ day of \_\_\_\_\_, 200\_\_ ("Effective Date"), before me the undersigned Notaries Public, duly commissioned and qualified, and in the presence of the undersigned competent witnesses, personally came and appeared:

See Exhibit "A" attached hereto and made a part hereof

who declared as follows:

**RECITALS**

THIS DECLARATION OF COVENANTS RUNNING WITH THE LAND ("Covenants") is made by the undersigned homeowner(s) further described on Exhibit "A", all future owners of the Property, and their successors, heirs and assigns, and all other persons and parties claiming by, through or under the present and future owners, their successors and assigns (collectively, the "Owner"), effective as of the date first written above.

The Owner is the fee simple owner or legal representative of the fee simple owner of the immovable property described on Exhibit "B" (the "Property") attached hereto. The residence located on the Property was damaged or destroyed by either Hurricane Katrina in August, 2005 or Hurricane Rita in September, 2005 (the "Hurricanes"). The Owner has been awarded a grant ("Grant") from the United States of America under the HUD Community Development Block Grant ("CDBG") Program known as *The Road Home* program ("Program"), under a Grant Agreement executed by the Owner. Working together, Governor Blanco, the Louisiana Recovery Authority and the State of Louisiana, Division of Administration, Office of Community Development ("OCD") created the Program; the largest single housing recovery program in U.S. history. The Program is being administered by OCD.

**AGREEMENTS**

NOW, THEREFORE, for and in consideration of receipt of the Grant proceeds as compensation for damages incurred by the Owner due to the Hurricanes, and in order to mitigate future damage from hurricanes and similar natural disasters, Owner hereby makes the following covenants and agreements with respect to the Property, which covenants and agreements shall constitute covenants and restrictions running with and encumbering the Property.

These Covenants include, if indicated by the check mark below, the following Covenant Riders:

- Rider for *Road Home* Affordable Compensation Loan.
- Rider for *Road Home* Elevation Allowance Grant.

These Covenants shall begin to run with the Property from and after the Effective Date.

1. **Covenant Not to Sell the Property:** From the Effective Date until three (3) years after a Certificate of Covenant Compliance or a Certificate of Final Disbursement approved in form and substance by OCD is recorded with the Clerk and Recorder of \_\_\_\_\_ Parish, Louisiana, whichever is recorded sooner (the "Compliance Date"), Owner covenants and agrees not to sell, assign, transfer or otherwise dispose of all or any portion of or any interest in the Property unless (a) the transfer is made pursuant to the Covenants contained herein, (b) the Owner has not violated the Covenants, and (c) the transferee agrees in the act of transfer to abide by the Covenants from and after the date of transfer and assumes the Owner's obligations under the Covenants and the Grant Agreement. If Property is transferred prior to the Compliance Date, Owner agrees to assign to the transferee any remaining undisbursed Grant proceeds under Section 10.

2. **Covenant as to Property Use:** For a period of three (3) years from the Compliance Date, the Owner covenants and agrees not to (a) use such dwelling located on the Property except as his/her primary residence, and (b) occupy such dwelling located on the Property for any purpose other than as his/her primary residence. Incidental uses of the Property such as home offices or home based businesses are not prohibited by these Covenants, as long as the Property is principally being used by the Owner as his/her primary residence, and such incidental uses are permitted under applicable laws, codes, ordinances, rules and regulations.

3. **Duties Accessory to Primary Covenants:** In order to comply with the covenants set forth in Sections 1 and 2 above ("Primary Covenants"), and as duties accessory and incidental to the Primary Covenant set forth in Section 2 above, Owner covenants and agrees as follows:

(a) **Covenant as to Homeowner Insurance:** For a period of three (3) years after the Compliance Date, any dwelling on any part of the Property shall be insured under a policy of casualty insurance (including coverage for wind and hail) in the amount of One Hundred Percent (100%) of the insurable value of the dwelling, as determined by the property insurer.

(b) **Covenant as to Compliance with Building Codes:** Any repairs or replacements to any dwelling on the Property made prior to, or commenced prior to the Effective Date shall conform to the minimum building codes imposed by the applicable governmental authorities having jurisdiction over the Property at the time the repairs or replacements were made. Any repairs or replacements to any dwelling on the Property commenced on or after the Effective Date shall conform to the minimum standards set by the 2003 International Residential Building Code, as modified, amended or replaced from time to time.

(c) **Covenant as to Manufactured Housing:** If housing hereafter placed on the Property shall be manufactured housing, such housing shall comply with (i) the Federal Manufactured Housing Code required by HUD at the time of placement on the Property and; (ii) either (A) the advisory base flood elevation regulations ("**ABFEs**") for the parish in which the Property is located, if issued by FEMA under the National Flood Insurance Program for such parish prior to August 26, 2006; or, if the ABFEs were not issued by FEMA prior to August 26, 2006, the base flood elevation regulations issued by FEMA ("**BFEs**") in effect on August 26, 2006 in the parish in which the Property is located; or (B) any newly established BFEs set by FEMA subsequent to August 26, 2006 if the date of FEMA's establishment of the new BFEs is earlier than the Effective Date of these Covenants.

4. **Covenant as to Flood Insurance:** Commencing at the Compliance Date, if the Property is located in a Special Flood Hazard Area under the FEMA Flood Maps, any dwelling on any part of the Property shall be insured under a policy of Flood Insurance in the amount equal to the lesser of (a) 100% of the insurable value of the dwelling as determined by the Property insurer or (b) the maximum amount of Flood Insurance coverage available under the National Flood Insurance Program. This Covenant as to Flood Insurance shall run with the Property in perpetuity or, alternatively, for the maximum period permitted by law.

In compliance with 42 USC 5154a, recipients of CDBG disaster recovery funds have a statutory responsibility to notify any transferee of the requirement to obtain and maintain Flood Insurance. The Owner may be liable if he or she fails to notify transferee of this requirement. In the event of the transfer of the Property, the Owner/transferor shall, not later than the date on which such transfer occurs, notify the transferee in writing of the requirements to: (i) obtain Flood Insurance in accordance with applicable federal law and this Covenant, if the Property is not so insured as of the date on which the Property is transferred; and (ii) maintain Flood Insurance in accordance with applicable federal law and this Covenant. Such written notification shall be contained in documents evidencing the transfer of ownership of the Property. If the transferor fails to provide notice as described above and, subsequent to the transfer of the Property: (1) the transferee fails to obtain or maintain Flood Insurance, in accordance with federal law and these Covenants; and (2) the Property is damaged by a flood disaster; and (3) federal disaster relief assistance is provided for the repair, replacement, or restoration of the Property, as a result of such damage, then the transferor must reimburse the federal government in an amount equal to the amount of the federal disaster relief assistance provided with respect to the Property.

5. **Covenants Running With the Property:** These Covenants shall constitute covenants running with the Property and shall be binding upon the Owner, and are intended to create negative predial servitudes, predial servitudes, and restrictions on alienation. To the extent the Covenants are construed by a court of competent jurisdiction not to be negative predial servitudes or predial servitudes, such provisions shall not be severed from these Covenants but shall constitute personal servitudes of the Owner.

6. **Enforcement of Covenants:** These Covenants shall be enforceable, at law or in equity, by the State of Louisiana or the United States of America, and Owner hereby agrees that the State of Louisiana or the United States of America may compel specific performance by the Owner or claim injunctive relief against the Owner for violation of these Covenants, without posting bond and without the need for demonstrating irreparable harm. Notwithstanding the foregoing, any first mortgage lien encumbering the Property shall at all times remain a first mortgage lien on the Property, with preference and priority over any judgment obtained by OCD, its successor, or such other authority designated by the Governor of the State of Louisiana for a violation of these Covenants.

7. **Release:** The OCD, its successor, or such other authority designated by the Governor of the State of Louisiana may on its own initiative or upon the request of the then Owner, release any Covenant in whole or in part upon determining in its sole discretion that the Covenant to be released no longer serves its intended purpose or that it is otherwise in the best interests of the public to release the Covenant. Such release shall be duly recorded in the respective conveyance records of the Registrar of Conveyances for Orleans Parish, Louisiana, or in the conveyance records of the Office of any Clerk of Court or Recorder for all other parishes in Louisiana. Any release shall be limited to the particular Covenant or portion thereof described in the release and shall apply only to the Property or portion thereof described in the release. The granting of a release of a Covenant shall not constitute grounds for the then owner to be entitled to a release of any of the other Covenants agreed to herein.

8. **Exceptions:** These Covenants may not be enforced against a ***First Mortgagee Party*** (defined as a mortgage holder, mortgage servicer, mortgage investor, mortgage insurer, or institutional mortgage guarantor (i.e. VA, HUD), or their designee, of any mortgage of record affecting the Property which mortgage has been subordinated to these Covenants), when the Property has been transferred to or between First Mortgagee Parties in connection with a foreclosure, deed in lieu of foreclosure or *dation en paiement*, during the period of time that the First Mortgagee Parties are holding the Property as OREO ("**Other Real Estate Owned**"). The Covenants may be enforced against a Subsequent Transferee (as defined in Section 9(d) below) in accordance with the other terms, conditions and limitations set forth in these Covenants.

9. **Due on Sale or Transfer; Acceleration:**

(a) At any time in the case of sale, transfer or disposition of all or any portion thereof, by voluntary transfer in which the conditions set forth in Section 1 are not complied with, or by foreclosure, deed in lieu of foreclosure or *dation en paiement*, or if the Owner is involuntarily divested of title to all or part of the Property in any other manner, the Prorated Amount (as hereafter

defined), without demand or notice, shall immediately become due and payable to OCD by the Owner at the time of the Property disposition.

(b) If an Owner violates the Primary Covenant contained in Section 2, or the duties incident to such Primary Covenant as set forth in Section 3 ("**Defaulting Owner**"), and such violation is not cured within 30 days, the entire amount of the Grant shall become due and payable, without notice or demand, by the Defaulting Owner to OCD immediately upon expiration of the 30-day cure period. The obligation of the Defaulting Owner to pay any amounts owed as a result of a breach of these Covenants by the Defaulting Owner shall not create any privilege, lien or encumbrance on the Property. Any judgment obtained against the Defaulting Owner for a breach of these Covenants and recorded in the mortgage records where the Property is located, shall act as a judicial mortgage against the Property from and after the date of recordation.

(c) The "**Prorated Amount**" means the amount of the Grant times a fraction, the numerator of which is 1080 minus the number of days which have elapsed from the Compliance Date to the date of the transfer of the Property as described in this Section 9(a), and the denominator of which is 1080.

(d) The provisions of this Section 9 shall not apply (i) in the event of a transfer, sale, assignment or other disposition resulting from expropriation, divorce, succession, donation to a lineal relative or bankruptcy of the Owner; (ii) to the First Mortgagee Parties, or to any transferees of the Property subsequent to the First Mortgagee Parties (each a, "**Subsequent Transferee**"), unless such Subsequent Transferee is the Defaulting Owner. In the event a Subsequent Transferee defaults under the Covenants described in Section 3(b) or Section 4 of this Agreement, or under the provisions of the Rider for *Road Home* Elevation Allowance Grant, if attached hereto, the sole remedy that may be exercised against the Subsequent Transferee for such default shall be a suit for specific performance.

**10. Use and Disbursement of Grant Proceeds:** The Owner has been awarded the Grant as compensation for damages suffered from the Hurricanes. Nothing in the Covenants shall be construed to require the Owner to repair, rebuild, relocate or sell the Property. The Grant proceeds will be disbursed to the Owner in the following manner, to insure compliance by Owner with the provisions of the Primary Covenants:

(a) In the event the Property is encumbered by a bona fide third party mortgage, OCD shall have the discretion to pay the Grant proceeds jointly to the Owner and the Owner's first mortgagee of record, and subsequent disbursements of the Grant proceeds to Owner shall be determined by separate agreement between Owner and Owner's first mortgagee of record.. Owner will provide evidence to OCD of compliance with the provisions of the Primary Covenants upon written request by OCD. Evidence acceptable to OCD that the provisions of the Primary Covenants are being complied with shall include without limitation (i) evidence of ownership and payment of utility bills for the Property, including without limitation electrical power, water, sewer, telephone, cable or internet services; (ii) evidence of expenses paid or incurred by Owner in order to comply with the provisions of the Primary Covenants; and (iii) issuance of a certificate of occupancy or its equivalent from the applicable governmental authority for the Property after the date of the Grant.

(b) In the event the Property is not encumbered by a bona fide third party mortgage, or in OCD's discretion, the Grant proceeds will be placed in a third party disbursement account and released according to the terms of the Grant Agreement executed together with these Covenants.

**11. Severability/Construction:** These Covenants shall be governed and construed in accordance with the laws of the State of Louisiana. Any provision of these Covenants found to be prohibited by law or unenforceable will be ineffective to the extent of such prohibition or unenforceability without invalidating any other part hereof, or any of the other Covenants contained herein. These Covenants, to the extent possible, will be construed or reformed so as to give validity to all of its provisions. Time is of the Essence. These Covenants are not intended to create, nor shall it be in any way interpreted or construed to create, any third party beneficiary rights in any person not a party hereto except for the United States of America, as set forth herein.

These Covenants shall be recorded in the conveyance records of the Registrar of Conveyances for Orleans Parish, Louisiana, or in the conveyance records of the Office of any Clerk of Court or Recorder for any other parish in which the Property is located.

STATE OF LOUISIANA

PARISH OF \_\_\_\_\_

THUS DONE AND SIGNED on the month, date and year first above written, in the presence of the undersigned witnesses and Notary Public, after due reading of the whole.

WITNESSES:

\_\_\_\_\_  
\_\_\_\_\_

OWNER:

\_\_\_\_\_  
Print Name: \_\_\_\_\_  
\_\_\_\_\_  
Print Name: \_\_\_\_\_

NOTARY PUBLIC

Print Name: \_\_\_\_\_  
Notary No/Bar Roll No: \_\_\_\_\_  
My Commission Expires: \_\_\_\_\_

STATE OF LOUISIANA

PARISH OF \_\_\_\_\_

THUS DONE AND SIGNED by OCD or its designee on the \_\_\_\_ day of \_\_\_\_\_, 200\_\_\_\_, in the presence of the undersigned witnesses and Notary Public, after due reading of the whole.

WITNESSES:

\_\_\_\_\_

\_\_\_\_\_

STATE OF LOUISIANA  
DIVISION OF ADMINISTRATION  
OFFICE OF COMMUNITY DEVELOPMENT

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

NOTARY PUBLIC

Print Name: \_\_\_\_\_

Notary No/Bar Roll No: \_\_\_\_\_

My Commission Expires: \_\_\_\_\_



**EXHIBIT "A" TO LENDER MEMORANDUM OF UNDERSTANDING**  
***THE ROAD HOME***  
**BEST PRACTICE GUIDELINES FOR DISBURSEMENT ACCOUNTS**

The primary mortgage Servicer will use commercially reasonable efforts to administer disbursement accounts in accordance with standard industry practices, which include the insurance disbursement requirements of Freddie Mac, Fannie Mae, [FHA or VA] and the guidelines provided below:

## **1. GRANT FUNDS**

Servicers will utilize the following guidelines in administering the Grant funds and servicing loans associated with Louisiana's *The Road Home* program.

1.1 Use of Grant Funds. Servicers will not use these funds to bring loans current. Rather, Servicers will use standard loss mitigation techniques (loan modifications, repayment plans, etc.) to address past due payments. If the Homeowner has elected to retain his/her property, Servicers will not pay down the debt with Grant funds without prior approval from the State of Louisiana, Division of Administration's Office of Community Development ("OCD") or its representative.

1.2 Interest. A minimum of a passbook savings interest rate will be paid on behalf of the Homeowner on Grant funds held in a disbursement account for more than 30 days. Servicers will follow Freddie Mac or Fannie Mae guidelines or Louisiana state law related to interest on insurance proceeds in the payment of interest on undisbursed Grant funds.

1.3 Insured Accounts. Servicers will maintain disbursement funds in a federally insured institution of their choosing. The account may be in an institution not located in Louisiana.

1.4 Fees. Servicers agree to waive their normal fees, other than fees charged by the state for recordation, including, but not limited to, fees for:

- a. Subordination to the covenant.
- b. Issuance of a payoff quote associated with the Grant funds.
- c. Prepayment penalty on loans paid off in whole or in part with Grant funds, unless required by the investor who owns the loan.
- d. Progress inspections performed by the Servicer or Servicer's vendor.

Servicers will not pay the cost of the title search; recordation of the covenant, subordinations, certificates of final disbursement and other required documents; or any fees for the closing. Fees for recording lien releases or subordinations from those other than primary mortgage holders will be paid for from the Grant proceeds at closing, or otherwise by the Homeowner.

Servicers will not be required to perform the Grant closings other than to forward subordination agreements, disbursement agreements, wiring or other deposit instructions, and pay-off statements to the closing agent.

## **2. DISBURSEMENTS**

2.1 Process. Disbursements typically will occur as follows:

- a. 1<sup>st</sup> disbursement: 10% of the total Grant, or \$7,500, whichever is less, but not less than \$2,500 will be disbursed upon execution of a contract for repairs to cover initial cost of materials and labor needed to repair damages to the home.
- b. 2<sup>nd</sup> disbursement: Grant funds in the amount of up to 1/3 of the funds necessary to rebuild upon completion of at least 1/3 of the necessary repairs as confirmed by an inspection performed by the Servicer or a third party inspector on behalf of the Servicer.

- c. 3<sup>rd</sup> disbursement: Grant funds in the amount of up to 1/3 of the funds necessary to rebuild upon completion of at least 2/3 of the necessary repairs as confirmed by an inspection performed by the Servicer or a third party inspector on behalf of the Servicer.
- d. Final disbursement: All remaining Grant proceeds will be released upon completion of work as confirmed by final Servicer inspection and the Homeowner or the Contractor(s) with whom the Homeowner may contract to perform the work (the "Contractor(s)") submitting to the Servicer the documents required in Section 3 related to final disbursements.
- e. Disbursements may be payable to the Homeowner and Contractor jointly.

2.2 Timing of disbursements. Servicers will use commercially reasonable efforts to disburse an amount of Grant proceeds commensurate with the percentage of work completed within 14 business days after receiving a request for inspection by the Contractor and/or Homeowner and receiving all required documents.

2.3 Disbursement for work previously completed.

- a. Homeowners who have partially completed repairs and have not already been reimbursed for the same work from insurance proceeds or grant/disaster relief funds from any public or private entity, for which the Servicer has knowledge, will receive reimbursement of those amounts, in addition to the amount otherwise included in the 1st disbursement. Homeowner must forward to the Servicer a description of the work done, together with copies of receipts indicating payment for the work and materials, or other satisfactory evidence that the work has been performed, such as a state of Louisiana provided adjuster's estimate of repairs completed.
- b. Homeowners who have completed repairs at the time of the establishment of the disbursement account will receive payment of the funds upon providing to the Servicer the documents in 3.3 below, and, at the Servicer's discretion, an inspection to confirm completion of work.
- c. The Servicer may inspect the work completed prior to disbursement or, if available, may rely on the inspection reports provided by *The Road Home* program.

2.4 Flexible Process. Notwithstanding the foregoing, Servicers retain the flexibility to deal with issues on a case-by-case basis to accommodate individual circumstances, specific risks, and applicable law. For example:

- a. Servicers may elect to use more conservative disbursement protocols if one or more Homeowners are acting as their own Contractor, are involved in a bankruptcy proceeding, are in breach of their repayment plan or other loss mitigation options or are otherwise in default under the terms of the mortgage documents.
- b. For small repair jobs or for properties where the mortgage is current and the property did not suffer a total or near total loss or has been significantly repaired, Servicers may elect to disburse funds more quickly.
- c. Servicers may make more frequent disbursements than provided in Subsection 2.1 depending on the type of repairs and Homeowner/Contractor needs. With the exception of the first disbursement, remaining disbursements will be conditioned on an inspection confirming the percentage of work completed.

### 3. MONITORING OF WORK

Homeowner and Servicer will follow the practices discussed below related to monitoring the repairs to the property:

3.1 Licensed Contractors. Homeowner must use insured and licensed or registered Contractors as required by the State of Louisiana and by the Parish where work is performed, if that Parish has additional licensing requirements, unless exceptions are granted by the Servicer, for example, to allow for a Homeowner to act as his/her own Contractor.

3.2 Progress Inspections. Servicer will monitor the progress and completion of work through periodic inspections as follows:

- a. Progress inspections are for the purpose of verifying the percentage of work completed according to a scope of work agreement. Inspections will not evaluate compliance with building codes, construction quality or elevation standards.

- b. Final inspections are intended to confirm completion of work.
- c. Inspection reports will include the date of inspection, property address, and an estimate of the percentage of completion of the work.

3.3 Certificate of Completion. Servicer will use commercially reasonable efforts to obtain a signed Certificate of Completion/Satisfaction from the Homeowner verifying completion and Homeowner's acceptance of the work prior to distribution of the final payment. However, if the Servicer's inspections indicate that the work is 100% complete, the Servicer may disburse the remaining proceeds to the Homeowner or jointly to the Contractor and Homeowner, notwithstanding the Homeowner's failure to execute the Certificate of Completion/Satisfaction.

3.4 Lien Waivers and Affidavit of Substantial Completion. At the Servicer's discretion, the Homeowner will be required to deliver to the Servicer lien waivers obtained from the Contractors, and if the Servicer deems necessary, from subcontractors and material suppliers. The contractor will be required to execute and record in the parish records an Affidavit of Substantial Completion as a condition to the final disbursement.

3.5 Certificate of Occupancy. If required by the local government with jurisdiction over the property, Homeowner must provide a Certificate of Occupancy to Servicer as a condition to the final disbursement unless waived by the Servicer.

3.6 Certificate of Covenant Compliance. The Homeowner may execute and record in the parish records a Certificate of Covenant Compliance as provided in the Covenants in the event that Homeowner is able comply with the covenant to occupy the dwelling on the Mortgaged Property as Homeowner's primary residence prior to the final disbursement of Grant funds.

3.7 Certificate of Final Disbursement. The Homeowner and Servicer will execute and record in the parish records a Certificate of Final Disbursement as provided in the Covenants following the final disbursement.

3.8 Time for Repairs. Unless otherwise waived by the Servicer, the Homeowner should complete repairs within 18 months of receipt of Grant funds. If repairs are not completed within the 18 months, the Servicer will consult with the State of Louisiana's Office of Community Development or its designee regarding disbursement of the funds.

3.9 Excess Funds. Grant funds that exceed the actual cost of repairing or rebuilding the property will be released to the Homeowner after the Servicer deems the repairs and rebuilding completed.

#### 4. DISBURSEMENT AGREEMENT

Servicer will enter into an agreement with the Homeowner that will document and prescribe the conditions and processes set forth above in Sections 1 through 3 of this Best Practice Guidelines for Disbursement Accounts (the "Grant Disbursement Agreement"). The Grant Disbursement Agreement will be in form and content similar to that attached hereto as Exhibit "A-1".

#### 5. HOMEOWNER ASSISTANCE CENTERS

Homeowner Assistance Centers ("HACs") are the front line for generally advising Homeowners about building code requirements, elevation standards, permits and required use of licensed Contractors pursuant to current state of Louisiana law. The State of Louisiana will maintain a list of licensed Contractors and a complaint database. Access to this data will be available at the HACs and online.

#### 6. LENDER-STATE BEST PRACTICES GROUP

The State of Louisiana, Division of Administration's Office of Community Development will participate in on-going and informal conversations with mortgage lending industry to coordinate disbursement activities, covenant development, market changes or developments, and communications.

**THE ROAD HOME  
GRANT DISBURSEMENT AGREEMENT**

THIS ROAD HOME PROGRAM GRANT DISBURSEMENT AGREEMENT is made by and between Borrower and Servicer, as those terms are defined below.

**1. DEFINED TERMS**

The following capitalized terms, when used herein, will have the following meanings:

**Borrower, I, me or my:** \_\_\_\_\_

**Disbursement Agreement:** This *Road Home* Grant Disbursement Agreement between Borrower and Servicer, the terms and conditions of which are set forth herein.

**Grant Proceeds or Proceeds:** Federal grant funds in the amount of \$ \_\_\_\_\_ that Borrower has been approved by OCD to receive under *The Road Home* program.

**Home:** Borrower's home, located at \_\_\_\_\_, that is subject to the Mortgage securing a loan currently serviced by Servicer.

**Interest Rate:** \_\_\_\_\_% per annum, the rate of interest that will be paid on undisbursed Grant Proceeds that Servicer holds more than 30 days.

**Mortgage:** The first mortgage encumbering Borrower's Home.

**OCD:** State of Louisiana, Division of Administration, Office of Community Development of the State of Louisiana, administrator of *The Road Home* program.

**Servicer:** \_\_\_\_\_, Borrower's current primary lienholder or its servicer.

**Servicer's Contact Number:** \_\_\_\_\_.

Other capitalized terms are defined elsewhere in this Agreement.

\*\*\*\*\*

Borrower has read, understands and, as evidenced by signing below, agrees to be bound by the terms and conditions of this Disbursement Agreement, as set forth herein, on the date indicated.

Borrower: \_\_\_\_\_

Co-Borrower: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Servicer: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

**2. ABOUT THIS AGREEMENT**

I have granted a Mortgage on my Home to secure a loan that Servicer is currently servicing. My Home was significantly damaged by flooding and/or wind during Hurricane Katrina and/or Rita, resulting in uninsured losses, making me eligible to participate in *The Road Home* program being administered by OCD. I have been approved by OCD to receive Grant Proceeds in the amount indicated on page 1, which I will use to pay the cost of repairing or rebuilding my Home (the "Work"). Servicer will establish in its records an account in which Servicer will hold my Grant Proceeds (the "Disbursement Account"), from which Servicer will periodically disburse Proceeds, as provided in this Disbursement Agreement, as the Work progresses. I understand that all Work must be completed within eighteen (18) months of my receipt of the first disbursement of Grant Proceeds pursuant to this Disbursement Agreement. However, Servicer may agree to extend the Work period if OCD approves. I understand and agree that this Disbursement Agreement in no way modifies the terms of the Mortgage or supersedes the mortgagee's rights under that Mortgage.

**3. DISBURSEMENTS**

A. Servicer will administer the disbursement of my Grant Proceeds in accordance with industry practices, which may include the claim settlement procedures of Fannie Mae, Freddie Mac and/or FHA. Servicer will use its discretion in determining the amount and timing of the disbursements, commensurate with the progress of the Work and consistent with standard industry practices. At Servicer's discretion, Grant Proceeds may be disbursed by check(s) payable jointly to me and the Contractor(s) with whom I may contract to perform the Work (the "Contractor(s)") or to me individually.

B. Servicer may disburse Grant Proceeds to reimburse me for the cost and/or value of any repairs that I have already completed using other funds, provided that I submit copies of paid receipts and descriptions or other satisfactory evidence that such repairs have been performed, such as an estimate of the value of the completed repairs from an adjuster acceptable to Servicer. I am not entitled to reimbursement from the Grant Proceeds for these repairs if I have already been paid through insurance proceeds or public or private grants. I agree to disclose to Servicer on Exhibit "A" hereto the amount of any insurance, grant or loan benefits I have received with respect to my Home. Servicer may require an inspection of the repairs completed before disbursement of Grant Proceeds.

C. My Grant Proceeds will be disbursed for Work in accordance with a Disbursement Schedule, which will typically be as follows:

- i. 1<sup>st</sup> disbursement: 10% of the total Grant Proceeds, or \$7,500, whichever is less but not less than \$2,500, will be disbursed upon execution of a contract for repairs to cover the initial cost of materials and labor needed to repair damages to or rebuild my Home, as applicable.
- ii. 2<sup>nd</sup> disbursement: Grant Proceeds in the amount of up to 1/3 of the funds necessary to repair or rebuild my Home, as applicable, upon completion of at least 1/3 of the necessary repairs or rebuilding, as confirmed by an inspection performed by the Servicer or a third party inspector on Servicer's behalf.

- iii. 3<sup>rd</sup> disbursement: Grant Proceeds in the amount of up to 1/3 of the funds necessary to repair or rebuild my Home, as applicable, upon completion of at least 2/3 of the necessary repairs or rebuilding, as confirmed by an inspection performed by the Servicer or a third party inspector on Servicer's behalf.
- iv. Final disbursement: All remaining Grant Proceeds will be released upon completion of work, as confirmed by final Servicer inspection, and my or my Contractor's submission to the Servicer of the documents required in Section 3 related to the final disbursement.

D. Throughout the disbursement process, Servicer will retain the discretion and flexibility to modify these disbursement procedures as needed to address issues on a case-by-case basis to accommodate insurance proceeds, unique circumstances, specific risks and applicable law.

E. Servicer will retain undisbursed Grant Proceeds in a deposit account at a federally insured financial institution. If Grant Proceeds are held in my Disbursement Account for more than 30 days, the undisbursed Proceeds will earn interest at the Interest Rate indicated on page 1. Accrued interest will be paid to me within 30 days of the final disbursement of Grant Proceeds.

F. If the amount of Grant Proceeds that I qualify to receive exceeds the actual cost of completing the Work on my Home, Servicer will disburse the excess to me within 30 days after I provide all evidence required by Servicer to document satisfactory completion of the Work and payment of any Contractor(s).

G. When Servicer holds multiple sources of funds for the purpose of repairing or rebuilding my Home, Servicer shall give insurance proceeds priority over Grant Proceeds in distribution to me and my Contractor(s) for such repairs to my Home, or for reimbursement to me for repairs to my Home that have already been completed.

#### 4. CONTRACTOR

A. My Work must be performed by a properly licensed and insured Contractor(s) of my choice, unless Servicer specifically waives this requirement. It is my responsibility to insure that all Work is done in compliance with the Declaration of Covenants that I executed under *The Road Home* program (the "Covenants") and all applicable building codes and permits. Contractor(s) must provide a W-9 to me for submission to the Servicer before beginning the Work. I will provide to Servicer a copy of each agreement I enter into with a Contractor(s) (the "Contractor's Agreement"). The Contractor's Agreement is subject to Servicer's review and will be revised if Servicer finds its terms to be inadequate.

B. I will obtain lien waivers or releases, in the form of Exhibits "B-1" and/or "B-2" attached hereto, from my Contractor(s), subcontractors, material suppliers and any other service providers, which I will present to Servicer prior to any disbursement of Grant Proceeds.

C. Servicer may inspect the Work to insure that it has been properly completed before any disbursement of Grant Proceeds.

#### 5. INSURANCE

A. At all times while the Work is ongoing, I will keep my Home insured against loss from fire, hazards included within the term "extended coverage" and any other hazards, including but not limited to earthquakes and floods, for which Servicer requires insurance, in the amounts and for the period that Servicer requires and in accordance with the Covenants. If I fail to maintain any of the required coverage, Servicer may obtain such coverage at Servicer's option and my expense. Servicer is under no obligation to purchase any particular type or amount of coverage. Coverage purchased by the Servicer may not protect me, my equity in my Home or the contents of my Home against any risk, hazard or liability and might provide greater or lesser coverage than was previously in effect. I understand that the cost of the insurance coverage purchased by Servicer might significantly exceed the cost of insurance that I could have obtained. Any amounts paid for such insurance will become my additional debt secured by the Mortgage, that will bear interest as provided in the Mortgage from the date of disbursement and will be payable, with such interest, upon Servicer's notice to me requesting payment.

B. Before receiving my final disbursement of Grant Proceeds, I will provide to Servicer, in acceptable form, evidence that I have purchased flood insurance and hazard insurance in the types and amounts specified in the Covenants and paid all premiums for twelve months of such coverages, which will become effective no later than the date I receive the final disbursement of Grant Proceeds under this Disbursement Agreement.

C. All insurance policies required by Servicer must include a standard mortgage clause and will name Servicer as mortgagee and/or an additional loss payee.

#### 6. INSPECTIONS

A. The Servicer may conduct inspections of the Work for the benefit of lienholder as it deems appropriate to determine the progress and the percentage of Work completed. INSPECTIONS WILL BE CONDUCTED FOR THE BENEFIT OF SERVICER AND WILL NOT EVALUATE COMPLIANCE WITH BUILDING CODES, CONSTRUCTION QUALITY OR ELEVATION STANDARDS.

- i. Near the end of each Work phase, I will contact Servicer at the Servicer's Contact Number listed on page 1 to schedule a property inspection. I will not be required to pay a fee for any inspection performed by Servicer or Servicer's designee, but I may have to pay a fee to my local governmental entity for issuance of a Certificate of Occupancy and/or Clear Lien Certificate or for recording a Certificate of Substantial Completion.
- ii. Servicer will use commercially reasonable efforts to disburse Grant Proceeds in an amount commensurate with the percentage of Work completed within 14 business days after receiving from me and/or my Contractor a request for inspection and all required documents.

B. A final inspection may be conducted to confirm completion of Work.

C. I am responsible for ensuring that all Work is completed to my satisfaction and in accordance with the Covenants and/or all building codes and other state and local requirements. I agree to sign a Certificate of Completion, in the form of Exhibit "C", verifying completion and my acceptance of the Work.

D. The Contractor must execute an Affidavit of Substantial Completion, in the form of Exhibit "D" attached hereto, and, provide a copy to Servicer for recordation. Contractor will also provide the Servicer with a Certificate of Occupancy if required by law.

E. At Servicer's request I will provide a Clear Lien Certificate from the appropriate local authority as a condition of receiving my final disbursement of Grant Proceeds. I agree to sign a Certificate of Final Disbursement in the form of Exhibit "E" attached hereto upon final disbursement of the Grant Proceeds to me under this Disbursement Agreement.

## **7. DEFAULT**

If Servicer reasonably determines that I am no longer actively pursuing the Work on my Home, Servicer may use any undisbursed funds to complete the Work or reduce the Mortgage indebtedness, subject to the approval of OCD. Servicer will have the full power (but not the obligation) to substantially complete the Work on my Home. I authorize Servicer to exercise any right I may have in or under any Contractor's Agreement or permit and further authorize and direct any party to a Contractor's Agreement or permit to provide to Servicer the benefits of such agreement or permit upon the Servicer's written notice. I will have no right or claim against any such party for any benefit provided to Servicer by such party. Alternatively, Servicer may elect to employ a Contractor satisfactory to Servicer to complete any of the Work on my Home, without first obtaining bids or being required to hire the Contractor with the lowest bid.

## **8. SERVICER'S RIGHTS**

A. Servicer shall retain all rights to transfer the servicing of my Mortgage loan and my Disbursement Account.

B. Servicer may terminate this Disbursement Agreement at any time with or without cause upon 30 days' written notice to me and OCD, using first class certified mail, return receipt requested. Notice will be effective 30 days from the date of mailing. Upon such termination or upon notification by OCD or its designee, Servicer will promptly return any remaining Grant Proceeds to OCD and I will contact OCD regarding future disbursement of Grant Proceeds.

C. Nothing in this Disbursement Agreement changes my rights and obligations under my Mortgage or any note that it secures.

## **9. LIMITATION OF LIABILITY**

While it is the Servicer's intention to follow the procedures set forth herein to the extent possible when disbursing Grant Proceeds, Servicer, its investor, insurer, guarantor and any of their successors or assigns will have no liability or responsibility to me in the event that Servicer, its investor, guarantor or insurer should fail to comply with the terms of this Disbursement Agreement. Servicer, its investor, insurer, guarantor and any of their successors and assigns are not liable for any failure to rebuild or repair, complete, protect or insure my Home or for any failure to rebuild or repair my Home to any applicable building code, standard of quality or elevation standard. Servicer, its investor, insurer, guarantor and any of their successors and assigns are not liable for any costs of labor performed or materials supplied for repairing or rebuilding my Home. Furthermore, Servicer, its investor, insurer, guarantor and any of their successors and assigns are not liable for any waste, fraud or non-performance by me or my Contractor(s) should I use any Grant Proceeds for purposes other than the Work or as otherwise stipulated by OCD.

I agree to indemnify, defend and hold Servicer, its officers, directors, employees, agents, and any of their successors and assigns, harmless against any and all legal actions, liabilities, damages, causes of action, claims, costs and fees that they may incur from any party, including the Contractor and all other third parties, for Servicer's administration of this Disbursement Agreement.

## **10. SEVERABILITY**

If it is determined that any part of this Disbursement Agreement is illegal, invalid or unenforceable, such determination will not affect any other part of this Disbursement Agreement. The remainder will continue in full force and effect as if the severed part had not been included.

## **11. FUTURE COOPERATION**

I agree to provide Servicer with any information it may require and to execute any additional documents necessary to fulfill the purposes of this Disbursement Agreement. I agree that Servicer may share information regarding my Disbursement Account with OCD or any mortgage lender.

## **12. GOVERNING LAW**

This Disbursement Agreement will be construed in accordance with and governed by the laws of the State of Louisiana.

EXHIBIT "C" TO LENDER MEMORANDUM OF UNDERSTANDING

STATE OF \_\_\_\_\_

PARISH/COUNTY OF \_\_\_\_\_

THE ROAD HOME  
SUBORDINATION AGREEMENT

BE IT KNOWN, that on this \_\_\_\_ day of \_\_\_\_\_, 200\_\_ (the "Effective Date"), before me the undersigned Notary Public, duly commissioned and qualified, and in the presence of the undersigned competent witnesses, personally came and appeared:

See Exhibit "A" attached hereto and made a part hereof

who declared as follows:

The undersigned ("Lienholder"), as further described on Exhibit "A" is the record holder of a mortgage lien and security interest (the "Lien") from the owner of the property ("Owner"), \_\_\_\_\_, dated \_\_\_\_\_, recorded at \_\_\_\_\_ of the records of \_\_\_\_\_ Parish, Louisiana, which encumbers the Property described in Exhibit "B" (the "Property").

The Owner of the Property has been awarded a grant (the "Grant") from the United States of America under the HUD Community Development Block Grant Program ("CDBG"), which Program is being administered by the State of Louisiana, Division of Administration, Office of Community Development ("OCD"). The Owner is not eligible to receive the Grant unless Lienholder subordinates the Lien to the duly executed and recorded Declaration of Covenants Running With The Land - Hurricane Katrina/Hurricane Rita encumbering the Property ("Covenants").

**THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Lienholder hereby subordinates Lienholder's Lien on the Property to the Covenant so that the Covenants shall be covenants running with the Property superior to the Lien, and the Lien shall be subordinate to the Covenants in all respects, it being the intent of the parties that the Lien shall at all times remain a first mortgage lien on the Property, with preference and priority over any judgment obtained by OCD for a violation of the Covenants.

This Subordination Agreement shall be binding upon Lienholder and Lienholder's successors, heirs and assigns.

Lienholder agrees and acknowledges that OCD is under no obligation or duty to direct the application of such Grant proceeds by the Owner.

This Subordination Agreement is limited to the Covenants and, except as expressly provided herein, the Lien shall remain in full force and effect.

This Subordination Agreement shall be recorded in the land records of the Office of the Recorder of Mortgages for the Parish of Orleans, Louisiana or the Office of the Clerk or Court or Recorder of Mortgages for any other Parish in Louisiana in which the Property is located.

**THUS DONE AND SIGNED** by the Lienholder on the day, month and year written above, in the presence of the undersigned witnesses and Notary Public, after due reading of the whole.

WITNESSES:

LIENHOLDER

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

NOTARY PUBLIC

Print Name: \_\_\_\_\_  
Notary No/Bar Roll No: \_\_\_\_\_  
My Commission Expires: \_\_\_\_\_

Exhibit "A"

Lienholder Information

Lienholder Name: \_\_\_\_\_

Address: \_\_\_\_\_

Tax I.D. Number: \_\_\_\_\_

Parish of Domicile: \_\_\_\_\_

Mortgagor Name(s): \_\_\_\_\_

Loan Number: \_\_\_\_\_

Exhibit "B"

Immovable Property Description

Legal Description:

\_\_\_\_\_

Tax Assessment information:

\_\_\_\_\_

Municipal street address (including zip code):

\_\_\_\_\_

Street

\_\_\_\_\_

City

\_\_\_\_\_

Parish

\_\_\_\_\_

ZIP

EXHIBIT "D" TO LENDER MEMORANDUM OF UNDERSTANDING

THE ROAD HOME  
CERTIFICATE OF FINAL DISBURSEMENT

BEFORE ME, the undersigned Notaries Public, duly qualified in and for the State and Parish/County stated below, and in the presence of the undersigned witnesses personally came and appeared:

\_\_\_\_\_  
[Insert name of Owner ("Owner")]

and [check as applicable]

State of Louisiana, Division of Administration, Office of Community Development or its designee ("OCD")

or

\_\_\_\_\_ ("Servicer")  
[insert name of first mortgage holder]

Who, after being first duly sworn, hereby certified as follows:

- Servicer or  OCD [check appropriate box] has disbursed to Owner, or to third party contractors, materialmen, suppliers or laborers for the benefit of Owner, all funds awarded to Owner under the U.S. Housing and Urban Development Community Development Block Grant Program ("CDBG"), administered by OCD as compensation for damages to Owner caused by Hurricane Katrina or Hurricane Rita.
- Owner acknowledges that all funds awarded to Owner under the CDBG have been disbursed to Owner or to third party contractors, materialmen, suppliers or laborers.
- To the extent the funds were used to repair, replace or rebuild the improvements on Owner's immovable property ("Repairs") located at [insert municipal address], City of \_\_\_\_\_, Parish of \_\_\_\_\_, State of Louisiana ("Property"), the Repairs to the Property have been substantially completed.
- The final disbursement of all funds awarded to Owner under the CDBG was made on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

STATE OF LOUISIANA

PARISH OF \_\_\_\_\_

THUS DONE AND SIGNED on the \_\_\_\_ day of \_\_\_\_\_, 200\_\_\_\_, in the presence of the undersigned witnesses and Notary Public, after due reading of the whole.

WITNESSES:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

OWNER:

\_\_\_\_\_  
Print Name: \_\_\_\_\_  
\_\_\_\_\_  
Print Name: \_\_\_\_\_

NOTARY PUBLIC

Print Name: \_\_\_\_\_  
Notary No/Bar Roll No: \_\_\_\_\_  
My Commission Expires: \_\_\_\_\_

STATE OF \_\_\_\_\_

PARISH/ COUNTY OF \_\_\_\_\_

THUS DONE AND SIGNED by Servicer on the \_\_\_\_ day of \_\_\_\_\_, 200\_\_\_\_, in the presence of the undersigned witnesses and Notary Public, after due reading of the whole.

**WITNESSES:**

\_\_\_\_\_  
\_\_\_\_\_

**SERVICER:**

\_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**NOTARY PUBLIC**

Print Name: \_\_\_\_\_  
Notary No/Bar Roll No: \_\_\_\_\_  
My Commission Expires: \_\_\_\_\_

STATE OF LOUISIANA DIVISION OF ADMINISTRATION OFFICE OF COMMUNITY DEVELOPMENT (OCD)  
**THE ROAD HOME PROGRAM GRANT AGREEMENT**  
 GRANT NO. \_\_\_\_\_

| SECTION I: HOMEOWNER INFORMATION   |   |
|--|---|
| <b>1. HOMEOWNER:</b>   | <b>2. CO-HOMEOWNER:</b>                                 |
| a. Name:   | a. Name:  |
| b. Address:  | b. Address:   |
| c. Mailing Address (if different from Physical Address)  | c. Mailing Address (if different from Physical Address) |
| d. Phone Number:   | d. Phone Number:  |
| e. Email Address:  | e. Email Address:                                       |
| f. Social Security Number:   | f. Social Security Number:                              |
| g. Governmental Issued Identification Number:  | g. Governmental Issued Identification Number:           |
| SECTION II: GRANT INFORMATION  |   |
| <b>3. CLOSING DATE:</b>  | <b>4. LENDER:</b>                                       |
| <b>5. PURPOSE AND SOURCE OF FUNDS:</b> The purpose of this Grant agreement is to provide compensation for damages incurred by the Homeowner(s) due to Hurricanes Katrina in August 2005 and/or Rita in September 2005. Funding for this grant comes from the Community Development Block Grant (CDBG) program administered through the U.S. Department of Housing and Urban Development. CDBG funds have been allocated to the State of Louisiana's Office of Community Development and are being provided to eligible residents of the State through the Road Home Program.   |   |
| <b>5. LENDER PROVISIONS:</b> If the property for which the Grant is awarded is mortgaged to Lender, the Grant proceeds will be paid jointly to the Homeowner and the Lender and placed into a disbursement account with Lender which will be disbursed according to a separate agreement between Homeowner and Lender. Homeowner should expect to enter into an agreement with Lender outlining the requirements and process by which the funds will be disbursed to or for the benefit of Homeowner. Such requirements may include without limitation, requirements for disbursement in connection with the repair and rebuilding of Homeowner's property in the event Homeowner elects to repair and rebuild his/her property. In such event Lender may require Homeowner to use a licensed contractor(s) unless waived by Lender.   |   |
| <b>6. GRANT PROVISIONS:</b> Homeowner(s) agree(s) to the filing of certain covenants to run with the land on the property for which this Grant is awarded requiring generally as follows: flood insurance to be maintained if located in Special Flood Hazard Area, subrogation/assignment of claim proceeds, any rebuilding and repairs must be in accordance with applicable codes and ordinances, any rebuilding must be elevated in accordance with FEMA recommended flood elevations as of August 26, 2006, Homeowner occupancy agreement for three (3) years from the date of the last payment of the Grant proceeds unless the Grant is accompanied by a Road Home Affordable Compensation Loan, in which case the owner-occupancy agreement is for five (5) years from the date of the last payment of the Grant proceeds, other restraints on alienation, and, if manufactured housing is placed on the property, it must comply with HUD's Federal Manufactured Housing Code and be elevated in accordance with FEMA recommended flood levels. The actual covenants are contained in the instrument to be executed by Homeowner(s) and recorded in the land records of the parish where the property for which this Grant is awarded is located.   |   |
| <b>7. LIABILITY:</b> Homeowner(s) agree not to hold Lender liable for any actions taken by Lender relating to this Grant so long as such actions are taken in good faith and in accordance with guidelines promulgated by OCD. Homeowner(s) further agree not to hold the State of Louisiana, United States or any other branch or agency of the state of federal government liable for their actions relating to this Grant. If Homeowner(s) attempt to take legal action against Lender, the State of Louisiana, United States or any other branch or agency of the state or federal government, such entity will have the right to recover attorneys' fees and expenses from the Homeowner(s) for such action.  |   |
| SECTION III: FRAUD ACKNOWLEDGMENT  |   |
| <b>8.</b> Homeowner(s) asserts, certifies and reaffirms that all information on the application, documents provided and closing documents are true to the best of my (our) knowledge and Homeowner(s) acknowledges that such have been relied on by OCD to provide disaster assistance. Homeowner(s) certifies that all damages claimed in connection with Homeowner(s)' application for grant proceeds were a direct result of the declared disaster, and that Homeowner(s) have disclosed to OCD all insurance proceeds and other funds received from governmental agencies as compensation for damages as a result of the declared disaster in the application process. Homeowner(s) authorize OCD to withhold Grant proceeds and Homeowner(s) acknowledge that Homeowner(s) may be prosecuted by Federal, State and/or local authorities in the event that Homeowner(s) make or file false, misleading and/or incomplete statements and/or documents. Homeowner(s) acknowledges notice of the danger of fraud and scams perpetrated by unscrupulous individuals, contractors and businesses and that the State has provided an Office of Fraud to address such issues.   |   |
| SECTION IV: RELEASE OF LIABILITY, INDEMNIFICATION, VENUE   |   |
| <b>9. RELEASE OF LIABILITY AND INDEMNIFICATION, VENUE</b> Homeowner hereby irrevocably releases, acquits and forever discharges the State of Louisiana, all Louisiana State government agencies, offices, and departments including but not limited to the Division of Administration, Office of Community Development, Disaster Recovery Unit, their administrators, directors, agents, officers, contractors, subcontractors and employees (Releasees) from any and all actions or causes of actions in law or in equity, charges, claims, commissions, complaints, costs, demand, damages, liabilities, obligations, promises, agreements, suits, rights, losses, debt, interest and expenses (including attorney's fees and costs actually incurred to pursue legal claims). To the fullest extent permitted by law, Homeowner shall indemnify, defend and hold Releasees and their administrators, directors, agents, officers, contractors, subcontractors or employees harmless against any and all claims, whether made by Homeowner or anyone else on Homeowner's behalf, which may be finally assessed against any Releasee.<br>HOMEOWNER HAVING READ THIS AGREEMENT, FULLY UNDERSTANDS ITS TERMS, UNDERSTANDS THAT S/HE MAY HAVE THIS AGREEMENT REVIEWED BY AN ATTORNEY OF HIS/HER OWN CHOOSING (AND AT HIS/HER OWN EXPENSE) PRIOR TO ENTERING INTO THIS AGREEMENT, UNDERSTANDS THAT S/HE HAS GIVEN UP SUBSTANTIAL RIGHTS BY SIGNING IT AND HAVE SIGNED IT FREELY AND WITHOUT ANY INDUCEMENT OR ASSURANCE OF ANY NATURE AND INTENDS IT TO BE A COMPLETE AND UNCONDITIONAL RELEASE OF ALL LIABILITY TO THE GREATEST EXTENT ALLOWED BY LAW. |   |
| <b>10. VENUE; SERVICE OF PROCESS; SUBMISSION TO JURISDICTION</b> The Homeowner hereby irrevocably submits to the jurisdiction of any state or federal court in East Baton Rouge Parish, Louisiana in any action or proceeding arising out of or relating to its Agreement and the Homeowner hereby irrevocably agrees that all claims in respect to such action or proceeding may be heard and determined in such state or federal court. The Homeowner hereby irrevocably waives, to the fullest extent they may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding.   |   |
| SECTION IV: SIGNATURES   |   |
| <b>HOMEOWNER:</b>  | <b>CO-HOMEOWNER:</b>                                    |
| Name:  | Name:   |
| Signature:   | Signature:  |