

FHA/VA BUYDOWN and ESCROW AGREEMENT

This agreement dated, this _____ day of _____, 20____, by and among _____ (the "Provider of Funds"),

(the "Borrower(s)), _____ the "Lender", and

(the "Escrow Agent") provides:

(1) The Borrower and _____ have entered into a contract of sale for real property known as _____ (the "Property"). As a condition to such sale, the Provider of Funds has agreed to contribute funds, to be held by the Escrow Agent, in order that the Borrower may obtain a mortgage loan from the Lender providing for reduced monthly payments for a limited period of time. By virtue of monthly payments from the funds so held in escrow (the "Fund Payments"), this Agreement provides for reduced monthly payments by the borrower during the first _____ months of the mortgage term. This period is called the "Buydown Period", and the reduced payments are described in Section 4 below.

(2) The Provider of Funds agrees to furnish \$_____ (the "Buydown Funds") to the Lender, at or prior to settlement, to be held by the Escrow Agent or its assigns in accordance with this Agreement. The Escrow Agent or its assigns shall make the Fund Payments to the holder of the Note or to its servicing agent for application to the Note. If for any reason such Fund Payments are not made, the Borrower shall be responsible to make the total monthly payments required by the Note.

(3) The Buydown Funds shall be in an amount equal to the amount necessary to reduce the Borrower's monthly principal and interest payments during the Buydown Period by the difference between (i) the monthly payments set forth in the Note that are based on the fixed interest rate set forth in the Note and (ii) the reduced monthly payments based on a lesser interest rate as set forth below. The reduced monthly payments of principal and interest rates on which the reduced payments are based are as follows:

_____ consecutive monthly payments of \$ _____ beginning on _____, 20____, computed on a yearly rate of _____%,
_____ consecutive monthly payments of \$ _____ beginning on _____ 20____, computed on a yearly rate of _____%, **and**
_____ consecutive monthly payments of \$ _____ beginning on _____, 20____, computed on a yearly rate of _____%.

(4) No portion of the Buydown Funds will in any event be refunded to the Provider of Funds. The Borrower and the Provider of Funds shall have no right to any part of the Buydown Funds other than the right to have them applied to monthly payments on the Note or to the unpaid principal balance of the Note as provided in this Agreement. The Lender, the Investor and the Borrower shall have no obligation to repay the Buydown Funds to the Provider of Funds.

(5) If the property is sold by the Borrower during the Buydown Period, any unused Buydown Funds will be credited to the unpaid principal balance of the Note; except that, in the event the Property is sold by the Borrower during the Buydown Period and the new purchaser assumes the Note, the remaining balance of the Buydown Funds shall be used pursuant to this Agreement to lower the new purchaser's monthly payments on the Note for the remainder of the Buydown Period. The application of the remaining Buydown Funds upon assumption may be adjusted for the remainder of the Buydown Period in the event the interest rate set forth in the Note is adjusted upon assumption.

(6) In the event of a foreclosure of the Property during the Buydown Period, the Buydown Funds shall be immediately used to reduce the unpaid balance of the Note.

(7) The Escrow Agent accepts the escrow of Buydown Funds in accordance with the terms of this Agreement. The sole responsibility of the Lender, the Escrow Agent and the Investor under this Agreement is the holding and proper application of the Buydown Funds in accordance with this Agreement and the Escrow Agent shall have no duty to invest the Buydown Funds. All responsibility hereunder of the Escrow Agent, the Lender and the Investor terminates upon depletion of the Buydown Funds or the application of the Buydown Funds to the Note as set forth in this Agreement. The Escrow Agent shall not be liable for any action taken or omitted in good faith and may conclusively rely and shall be protected in acting or refraining to act in reliance upon the advice of counsel or upon any document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(8) Neither the Escrow Agent, the Lender nor the Investor shall pay interest on the Buydown Funds. The Buydown Funds will not be used to pay any past due payments on the Note.

(9) After the Buydown Funds have been exhausted, the Borrower will be responsible for the full monthly payments on the Note as provided herein.

Provider of Funds:

Borrowers:

Lender:

By

Title

Escrow Agent:

By

(Authorized Signature)