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## NEIGHBORHOOD STABILIZATION PROGRAM (NSP) MORTGAGE AND RESTRICTIVE COVENANTS

MFA Loan No:\_\_\_\_\_

THIS MORTGAGE is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ between the Mortgagor(s), \_\_\_\_\_ (herein "Borrower(s)"), \_\_\_\_\_ ("Borrower(s) Vesting") and the Mortgagee, **New Mexico Mortgage Finance Authority**, a governmental instrumentality organized and existing under the laws of the State of New Mexico, whose address is 344 Fourth Street, SW, Albuquerque, New Mexico 87102 (herein "Lender").

WHEREAS, Borrower is indebted to Lender in the principal sum of \_\_\_\_\_, (\$\_\_\_\_) which indebtedness is evidenced by Borrower's note dated \_\_\_\_\_ (herein "Note"), providing for a no interest, no payments, loan, with the total amount of the indebtedness, if not sooner paid, due and payable only upon refinance, sale or transfer of title to the property described in this Mortgage and subject to the provisions of the Note and this Mortgage;

TO SECURE to Lender the repayment of the indebtedness evidenced by the Note; the payment of all other sums, with interest thereon, advanced in accordance herewith to protect the security of this Mortgage; and the performance of the covenants and agreements of Borrower herein contained, Borrower for consideration paid does hereby mortgage, grant and convey to Lender all of Borrower's right, title, and interest in and to the following described real property located in the County of \_\_\_\_\_, State of New Mexico:

*[Insert Legal Description.]*

which has the address of \_\_\_\_\_(street),\_\_\_\_\_ (city) , New Mexico \_\_\_\_\_(zip)(herein "Property Address"), with mortgage covenants and upon the statutory mortgage condition for the breach of which it is subject to foreclosure as provided by law;

TOGETHER with all the improvements now or hereafter erected on the property, and all easements, rights, appurtenances and rents, all of which shall be deemed to be and remain a part of the property covered by this Mortgage; and all of the foregoing, together with said property (or the leasehold estate if this Mortgage is on a leasehold) are hereinafter referred to as the "Property."

Borrower covenants that Borrower is lawfully seized of the estate hereby conveyed and has the right to mortgage, grant and convey the Property, and that the Property is unencumbered, except for encumbrances approved by Lender. Borrower covenants that Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to encumbrances of record.

UNIFORM COVENANTS. Borrower and Lender covenant and agree as follows:

**1. Repayment of Principal.** Borrower promises to pay the Award as follows:

No interest will accrue on the Award. However, Borrower shall promptly pay the entire, outstanding principal balance of the Award and any other indebtedness evidenced by this Agreement if at any time Borrower sells or transfers the Property to a party ineligible for assistance under the Regulations (defined below); refinances in whole or in part any mortgage against the Property that is superior to this Mortgage; in any manner conveys title to the Property; fails to maintain the Property as Owner-occupied, single-family residential property during the term of the Affordability Period (defined below); or otherwise fails to abide by the Restrictive Covenants and terms of this Agreement. Borrower may prepay any part of the outstanding principal amount of the Award at any time prior to maturity without penalty.

Provided that Borrower is in compliance with the Restrictive Covenants and other requirements set forth in Paragraph 3 of this Agreement, the Principal balance due on this Award shall be reduced on an annual basis on the anniversary of the date of this Agreement ("Period of Forgiveness") as follows:

- If the original Principal amount of the Award is from \$1 to \$25,000, the Principal balance shall be reduced at a rate of Twenty Percent (20%) per year for five years, starting on the first (1<sup>st</sup>) anniversary of the date of this Agreement.
- If the original Principal amount of the Award is from \$25,001 to \$50,000, the Principal balance shall be reduced at a rate of Ten Percent (10%) of the principal balance per year for ten years, starting on the first (1<sup>st</sup>) anniversary of the date of this Agreement.

**2. Funds for Taxes and Insurance.** Subject to applicable law or a written waiver by Lender, Borrower shall pay to Lender until the Note is paid in full, the following funds ("Funds"): All of the yearly taxes and assessments (including condominium and planned unit development assessments, if any) which may attain priority over this Mortgage and ground rents on the Property, if any, plus all applicable premium installments for hazard insurance, plus, if the Property is in a flood plain, all applicable premium installments for flood insurance, all as reasonably estimated initially and from time to time by Lender on the basis of assessments and bills and reasonable estimates thereof. However, Borrower shall not be obligated to make such payments of Funds to Lender to the extent that Borrower makes such payments to the holder of a prior mortgage or deed of trust if such holder is an institutional lender.

**3. Restrictive Covenants.**

This Mortgage restricts the use of the Property, and is in consideration of a loan from Lender to Borrower in the amount of \_\_\_\_ (\$ \_\_\_\_ ) (the "Loan") as evidenced by the Note for the purchase of the Property. The Loan has been made to Borrower through Lender's

Neighborhood Stabilization Program, and can be made to Borrower only if Borrower agrees to the restrictions and requirements set forth herein.

In consideration of the Loan and of the mutual covenants and understandings set forth herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Lender and Borrower agree as follows:

**A. Property Standards.** The Property will meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances in effect and applicable to the Property, and Borrower expressly authorizes inspection of the Property by Lender or Lender's agent prior to or following purchase of the Property.

**B. Borrower Occupied.** Except as provided in paragraph 3(E) of this Mortgage, if, at any time during the Affordability Period or so long as any or all of the Loan is unpaid and outstanding, the Property ceases to be the principal residence of Borrower, whether through sale of the Property or otherwise, then the entire outstanding amount of the Loan, including all accrued and unpaid interest, if any, will be immediately due and payable to Lender without demand.

**C. No Transfer.** Borrower agrees that the Property may not be sold transferred or title to the Property conveyed, and Borrower agrees that the entire balance due on the Loan will be due and payable upon any such sale or transfer except as provided for in Paragraph 3(D) of this Mortgage. If Borrower fails to pay these sums upon sale or transfer of the Property, Lender may invoke any remedies permitted by law or this Mortgage without further notice or demand on Borrower.

**D. Exception to Transfer Restriction.** Notwithstanding any other provision of this Mortgage or the Note, the loan will not be due on transfer of the Property if (i) a transfer of the Property is to an individual or individuals (the "Transferee") who constitute a Low to Moderate Income Family who the Lender has determined qualifies for assistance under the Regulations of the Neighborhood Stabilization Program., and (ii) if the Transferee covenants and agrees in writing to maintain the Property as the Transferee's principal residence for the remainder of the Affordability Period or so long as any or all of the Loan is unpaid and outstanding, and to otherwise comply with and assume all the terms and conditions of this Mortgage and the Note. Lender reserves the right to deny any such request for approval to assume or transfer the Note or this Mortgage.

**F. Default.** Borrower agrees that any default under the terms of the Loan, as those terms are set forth in this Mortgage and the Note executed contemporaneously herewith, or under the terms of any other mortgage or encumbrance on the Property, whether superior or junior to this Mortgage, will constitute a default under this Mortgage and shall cause the full amount of the Loan to become immediately due and payable.

**G. Termination of Affordability Period.** Borrower understands and agrees that the Affordability Period will terminate, if not already expired, upon the happening of any of the following events: Foreclosure and sale of the Property pursuant to an order of a court of competent jurisdiction; transfer to Lender in lieu of foreclosure.

**4. Prior or Subordinate Mortgages and Deeds of Trust; Charges; Liens.** Borrower shall perform all of Borrower's obligations under any mortgage, deed of trust or other

security agreement which is a lien that has priority over this Mortgage or which is subordinate to this Mortgage, including Borrower's covenants to make payments when due. Borrower shall pay or cause to be paid all taxes, assessments and other charges, fines and impositions attributable to the Property which may attain a priority over this Mortgage, and leasehold payments or ground rents, if any. Any default by Borrower under a prior or subordinate mortgage against the Property shall constitute a default under this Mortgage and shall entitle the Lender to all legal and equitable relief as set forth herein.

**5. Hazard Insurance.** Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire, hazards included within the terms "extended coverage", and such other hazards as Lender may require and in such amounts and for such periods as Lender may require. If the Property is in a flood plain, Owner agrees to obtain flood insurance (if applicable) for the value of the improvements located thereon.

The insurance carrier providing the insurance shall be chosen by Borrower subject to approval by Lender; provided that such approval shall not be unreasonably withheld. All insurance policies and renewals thereof shall be in a form acceptable to Lender and shall include a standard mortgage clause in favor of and in a form acceptable to Lender. Lender shall have the right to hold the policies and renewals thereof, subject to the terms of any mortgage, deed of trust or other security agreement with a lien which has priority over this Mortgage.

In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

If the Property is abandoned by Borrower, or if Borrower fails to respond to Lender within 30 days from the date notice is mailed by Lender to Borrower that the insurance carrier offers to settle a claim for insurance benefits, Lender is authorized to collect and apply the insurance proceeds at Lender's option either to restoration or repair of the Property or to the sums secured by this Mortgage. Each insurance company concerned is hereby authorized and directed to make payment of such insurance proceeds directly to Lender, as mortgagee, instead of to Borrower and Lender jointly.

**6. Preservation and Maintenance of Property; Leaseholds; Condominiums; Planned Unit Developments.** Borrower shall keep the Property in good repair and shall not commit waste or permit impairment or deterioration of the Property and shall comply with the provisions of any lease if this Mortgage is on a leasehold. If this Mortgage is on a unit in a condominium or a planned unit development, Borrower shall perform all of Borrower's obligations under the declaration or covenants creating or governing the condominium or planned unit development, the by-laws and regulations of the condominium or planned unit development, and constituent documents.

**7. Protection of Lender's Security.** If Borrower fails to perform the covenants and agreements contained in this Mortgage, or if any action or proceeding is commenced which materially affects Lender's interest in the Property, then Lender, at Lender's option, upon notice to Borrower, may make such appearances, disburse such sums, including reasonable attorneys' fees and costs, and take such action as is necessary to protect Lender's interest. If Lender requires mortgage insurance as a condition of making the loan secured by this Mortgage, Borrower shall pay the premiums required to maintain such insurance in effect until such time as the requirement for such insurance terminates in accordance with Borrower's and Lender's written agreement or applicable law.

Any amounts disbursed by Lender pursuant to this paragraph 7, including any reasonable attorney's fees and costs incurred by Lender, with interest thereon, at the Note Default Interest Rate, shall become additional indebtedness of Borrower secured by this Mortgage. Unless Borrower and Lender agree to other terms of payment, such amounts shall be payable upon notice from Lender to Borrower requesting payment thereof. Nothing contained in this paragraph 7 shall require Lender to incur any expense or take any action hereunder.

**8. Inspection.** Lender may make or cause to be made reasonable entries upon and inspections of the Property provided that Lender shall give Borrower notice prior to any such inspection specifying reasonable cause therefore related to Lender's interest in the Property.

**9. Condemnation.** The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of the Property, or part thereof, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender, subject to the terms of any mortgage, deed of trust or other security agreement with a lien which has priority over this Mortgage.

**10. Borrower Not Released; Forbearance By Lender Not a Waiver.** Extension of the time for payment or modification of amortization of the sums secured by this Mortgage granted by Lender to any successor in interest of Borrower shall not operate to release, in any manner, the liability of the original Borrower and Borrower's successors in interest. Lender shall not be required to commence proceedings against such successor or refuse to extend time for payment or otherwise modify amortization of the sums secured by this Mortgage by reason of any demand made by the original Borrower and Borrower's successors in interest. Any forbearance by Lender in exercising any right or remedy hereunder, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any such right or remedy.

**11. Successors and Assigns Bound; Joint and Several Liability; Co-signers.** The covenants and agreements herein contained shall bind, and the rights hereunder shall inure to, the respective successors and assigns of Lender and Borrower, subject to the provisions of paragraph 15 hereof. All covenants and agreements of Borrower shall be joint and several. Any individual who co-signs this Mortgage, but does not execute the Note, (a) is co-signing this Mortgage only to mortgage, grant and convey that individual's interest in the Property to Lender under the terms of this Mortgage, (b) is not personally liable on the Note or under this Mortgage, and (c) agrees that Lender and any other Borrower hereunder may agree to extend, modify, forbear, or make any other accommodations with regard to the terms of this Mortgage or the Note without that individual's consent and without releasing that Borrower or modifying this Mortgage as to that individual's interest in the Property.

**12. Notice.** Except for any notice required under applicable law to be given in another manner, (a) any notice to Borrower provided for in this Mortgage shall be given by delivering it or by mailing such notice by certified mail addressed to Borrower at the Property Address or at such other address as Borrower may designate by notice to Lender as provided herein, and (b) any notice to Lender shall be given by certified mail to Lender's address stated herein or to such other address as Lender may designate by notice to Borrower as provided herein. Any notice provided for in this Mortgage shall be deemed to have been given to Borrower or Lender when given in the manner designated herein.

**13. Governing Law; Severability.** The state and local laws applicable to this Mortgage shall be the laws of the jurisdiction in which the Property is located. The foregoing sentence shall not limit the applicability of Federal law to this Mortgage. In the event that any provision or clause of this Mortgage or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Mortgage or the Note which can be given effect without the conflicting provision, and to this end the provisions of this Mortgage and the Note are declared to be severable. As used herein, "costs", "expenses" and "attorneys' fees" include all sums to the extent not prohibited by applicable law or limited herein.

**14. Borrower's Copy.** Borrower shall be furnished a conformed copy of the Note and of this Mortgage at the time of execution or after recordation hereof.

**15. Refinance of the Property; Due on Sale.** If the Property or any obligation of Borrower which is secured by a lien on the Property which has a priority over this Mortgage is refinanced in whole or in part, Borrower agrees to pay immediately to lender all sums secured by this Mortgage. If Borrower fails to pay these sums upon refinance of the Property, Lender may invoke any remedies permitted by law or this Mortgage without further notice or demand on Borrower.

**NON-UNIFORM COVENANTS.** Borrower and Lender further covenant and agree as follows:

**16. Acceleration; Remedies.** Except as provided in paragraphs 3(D) and 15 hereof, upon Borrower's breach of any covenant or agreement of Borrower in this Mortgage, including the covenants to pay when due any sums secured by this Mortgage, Lender shall give notice to Borrower as provided in paragraph 12 hereof specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, not less than 10 days from the date the notice is mailed to Borrower, by which such breach must be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Mortgage, foreclosure by judicial proceeding, and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to assert in the foreclosure preceding the nonexistence of a default or any other defense of Borrower to foreclosure. If the breach is not cured on or before the date specified in the notice, Lender, at Lender's option, may declare all of the sums secured by this Mortgage to be immediately due and payable without further demand and may foreclose this Mortgage by judicial proceeding. Lender shall be entitled to collect in such proceeding all expenses of foreclosure, including, but not limited to, reasonable attorneys' fees, and costs of documentary evidence, abstracts and title reports.

**17. Borrower's Right to Reinstate.** Notwithstanding Lender's acceleration of the sums secured by this Mortgage due to Borrower's breach, Borrower shall have the right to have any proceedings begun by Lender to enforce this Mortgage discontinued at any time prior to entry of a judgment enforcing this Mortgage if: (a) Borrower cures all breaches of any covenants or agreements of Borrower contained in this Mortgage; (b) Borrower pays all reasonable expenses incurred by Lender in enforcing the covenants and agreements of Borrower contained in this Mortgage, and in enforcing Lender's remedies as provided in paragraph 16 hereof, including, but not limited to, reasonable attorneys' fees; and (c) Borrower takes such action as Lender may reasonably require to assure that the lien of this Mortgage, Lender's interest in the Property and Borrower's obligations secured by this Mortgage shall continue unimpaired. Upon such cure by Borrower, this Mortgage and the obligations secured hereby shall remain in full force and effect as if no acceleration had occurred.

18. **Release.** Upon payment of all sums secured by this Mortgage, Lender shall release this Mortgage without charge to Borrower. Borrower shall pay all costs of recordation, if any.

19. **Redemption Period.** If this Mortgage is foreclosed, the redemption period after judicial sale shall be one month in lieu of nine months.

REQUEST FOR NOTICE OF DEFAULT  
-----AND FORECLOSURE UNDER SUPERIOR-----  
MORTGAGES OR DEEDS OF TRUST

Borrower and Lender request the holder of any mortgage, deed of trust or other encumbrance with a lien which has priority over this Mortgage to give Notice to Lender, at Lender's address set forth on page one of this Mortgage, of any default under the superior encumbrance and of any sale or other foreclosure action.

IN WITNESS WHEREOF, Borrower has executed this Mortgage

\_\_\_\_\_  
Borrower (Typed name)

\_\_\_\_\_  
Borrower (Typed name)

\_\_\_\_\_  
Borrower (Typed name)

\_\_\_\_\_  
Borrower (Typed name)

STATE OF NEW MEXICO

COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me on \_\_\_\_\_, 20\_\_\_\_  
by \_\_\_\_\_  
and \_\_\_\_\_.

\_\_\_\_\_  
Notary Public Signature

My Commission expires:  
\_\_\_\_\_