

After Recording Return To:
District of Columbia Housing Finance Agency
Attention: Compliance and Asset Management
815 Florida Avenue, NW
Washington, DC 20001

**SUBORDINATE DEED OF TRUST
DCHFA DC OPEN DOORS PROGRAM**

Purchase Money in the Amount of \$ _____

THIS SUBORDINATE DEED OF TRUST (this "Subordinate Deed of Trust") is made as of _____ day of _____, _____ among the Grantor _____ (the "Borrower") and **TODD A. LEE**, as Trustee, c/o the DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY, 815 Florida Avenue, N.W., Washington, D.C. 20001 (the "Trustee"), for the benefit of the **DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**, a corporate body and an instrumentality of the government of the District of Columbia whose address is 815 Florida Avenue, N.W., Washington, D.C. 20001 (together with its successors and assigns, the "Subordinate Lender").

WHEREAS, the Borrower has signed a senior deed of trust note (the "First Note") and deed of trust (the "First Deed of Trust") with _____ (the "First Lender") in conjunction with the purchase of the property as defined in the First Deed of Trust (the "First Loan"). This debt is evidenced by a First Deed of Trust Note.

WHEREAS, this \$ _____ was loaned to the Borrower for the sole purpose of Down Payment and Closing Cost Assistance in conjunction with the First Loan funded under the District of Columbia Housing Finance Agency's DC Open Doors Program. (the "Subordinate Loan"). The debt is evidenced by a Subordinate Deed of Trust Note.

WHEREAS, as a result of the Subordinate Loan, Borrower is indebted to Subordinate Lender in the principal sum of U.S. \$ _____ which indebtedness is evidenced by Borrower's Subordinate Deed of Trust Note dated _____, _____ and all extensions and renewals thereof (the "Subordinate Note"), providing for the payment of the indebtedness due upon the refinancing of the loan, the sale of property or if the property ceases to be the primary residence of the Borrower, whichever occurs first.

THIS Subordinate Deed of Trust SECURES to Subordinate Lender: (i) the repayment of the indebtedness evidenced by the Subordinate Note; (ii) the payment of all other sums, if any, as provided in the Subordinate Deed of Trust; and (iii) the performance of the covenants and agreements of Borrower herein contained in the Subordinate Note, Borrower irrevocably grants, bargains, sells, conveys and confirms to Trustee, in trust, with the power of sale, certain real property which currently has the address of _____, Washington, District of Columbia _____ and which is further described in Exhibit "A" attached hereto and incorporated herein by this reference.

TOGETHER WITH all the improvements now or hereafter erected on the property, and all rights, privileges, easements, appurtenances, fixtures and rents all of which shall be deemed to be and remain a part of the property covered by this Subordinate Deed of Trust. All replacements and additions shall also be covered by this Subordinate Deed of Trust. And all of the foregoing, together with said property (or the leasehold estate if this Subordinate Deed of Trust is on a leasehold) are hereinafter referred to as the "Property".

To have and to hold the Property with the appurtenances, estate, title and interest thereto belonging to the Trustee and its respective successors in trust forever, for the purposes specified in this Subordinate Deed of Trust.

BORROWER COVENANTS that Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey the Property and that the Property is unencumbered, except for the First Deed of Trust (hereinafter defined) and other encumbrances of record acceptable to the First Lender (hereinafter defined) under the First Deed of Trust. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to any encumbrances of record.

UNIFORM COVENANTS, Borrower and Subordinate Lender covenant and agree as follows:

1. Payment of Principal. Borrower shall pay the Principal within forty-five (45) days of the earlier of refinancing the loan, the sale of the Property or if the Property ceases to be the principal place of residence of the Borrower as evidenced by the Subordinate Note. The terms of the District of Columbia Housing Finance Agency DC Open Doors Program ("DC Open Doors") stipulate that the loan is forgivable at a rate of twenty percent (20%) per year from the loan closing date.

No offset or claim which Borrower might have now or in the future against Subordinate Lender shall relieve Borrower from obligations of the debt due under the Subordinate Note and this Subordinate Deed of Trust or performing the covenants and agreement secured by this Subordinate Deed of Trust.

Notwithstanding the foregoing, all amounts due hereunder or under the Subordinate Note shall be due on any sale or other conveyance of the Property or any interest therein.

2. Application of Payments. Unless applicable law provides otherwise, all payments received by Subordinate Lender under the Subordinate Note and Paragraph 1 hereof shall be applied by Subordinate Lender first to the principal of the Subordinate Note.

3. Prior 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 with a lien which has priority over this Subordinate Deed of Trust, including Borrower's covenants to make payments when due. Borrower shall pay or cause to be paid all taxes, assessments, charges, fines and impositions attributable to the Property which may attain a priority over this Subordinate Deed of Trust and leasehold payments or ground rents, if any.

In the event of a foreclosure of the First Deed of Trust, any provision herein or in any collateral agreement restricting the use of the Property or restricting the Borrower's ability to sell the Property shall have not further force or effect on subsequent owners or purchasers of the Property. Any person, including his successors and assigns (other than the Borrower or a related entity or person to the Borrower), receiving the Property through a foreclosure of the First Deed of Trust shall receive title to the Property free and clear from such restrictions.

4. Owner Occupancy. Borrower shall occupy, establish, and use the Property as Borrower's principal residence within sixty (60) days after the execution of the Subordinate Note and this Subordinate Deed of Trust. Borrower must occupy the Property as his/her principal place of residence for 60 months (5 years) following the loan closing date, which will be monitored annually. If the Borrower ceases to occupy the Property as his/her principal place of residence before the end of the 60 month period, the Subordinate Note will be due and payable for any Principal amount that has not been forgiven pursuant to Paragraph 1 of this Subordinate Deed of Trust.

5. Hazard Insurance. Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire and hazards in such amounts and for such periods as First Lender may require under the First Deed of Trust.

In the event of loss, Borrower shall give prompt notice to the insurance carrier and Subordinate Lender. Subordinate 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 Subordinate Lender within 30 days from the date notice is mailed by Subordinate Lender to Borrower that the insurance carrier offers to settle a claim for insurance benefits, Subordinate Lender is authorized to collect and apply the insurance proceeds at Subordinate Lender's option either to restoration or repair of the Property or to the sums secured by this Subordinate Deed of Trust.

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 Subordinate Deed of Trust is on leasehold. If this Subordinate Deed of Trust 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 Subordinate Lender's Security. If Borrower fails to perform the covenants and agreements contained in this Subordinate Deed of Trust, or if any action or proceeding is commenced which materially affects Subordinate Lender's interest in the Property, then Subordinate Lender, at Subordinate Lender's option, upon notice to Borrower, may make such appearances, disburse such sums, including reasonable attorney's fees, and take such action as is necessary to protect Subordinate Lender's interest.

Any amounts disbursed by Subordinate Lender pursuant to this Paragraph 7, shall become additional indebtedness of Borrower secured by this Subordinate Deed of Trust. Unless Borrower and Subordinate Lender agree to other terms of payment, such amounts shall be payable upon notice from Subordinate Lender to Borrower requesting payment thereof. Nothing contained in this Paragraph 7 shall require Subordinate Lender to incur any expense or take any action hereunder.

8. Inspection. Subordinate Lender may make or cause to be made reasonable entries upon and inspections of the Property, provided that Subordinate Lender shall give Borrower notice prior to any such inspection specifying reasonable cause therefore related to Subordinate 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 Subordinate Lender, subject to the terms of any mortgage, deed of trust or other security agreement with a lien which has priority over this Subordinate Deed of Trust.

10. Borrower Not Released; Forbearance By Subordinate Lender Not a Waiver. Extension of the time for payment of the sums secured by this Subordinate Deed of Trust granted by Subordinate 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. Subordinate Lender shall not be required to commence proceedings against such successor or refuse to extend time for payment of the sums secured by this Subordinate Deed of Trust by reason of any demand made by the original Borrower and Borrower's successors in interest. Any forbearance by Subordinate 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. The covenants and agreements herein contained shall bind, and the rights hereunder shall inure to, the respective successors and assigns of Subordinate Lender and Borrower, subject to the provisions of Paragraph 17 hereof. All covenants and agreements of Borrower shall be joint and several.

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 Subordinate Deed of Trust 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 Subordinate Lender as provided herein, and (b) any notice to Subordinate Lender shall be given by certified mail to Subordinate Lender's address stated herein or to such other address as Subordinate Lender may designate by notice to Borrower as provided herein. Any notice provided for in this Subordinate Deed of Trust shall be deemed to have been given to Borrower or Subordinate Lender when given in the manner designated herein.

13. Governing Law; Severability. This Subordinate Deed of Trust shall be governed by the laws of the District of Columbia. The foregoing sentence shall not limit the applicability of Federal Law to this Subordinate Deed of Trust. In the event that any provision of clause of this Subordinate Deed of Trust or the Subordinate Note conflicts with applicable law, such conflict shall not affect other provisions of this Subordinate Deed of Trust or the Subordinate Note which can be given effect without the conflicting provision, and to this end the provisions of this Subordinate Deed of Trust and the Subordinate 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 Subordinate Note and of this Subordinate Deed of Trust at the time of execution or after recordation thereof.

15. RESERVED.

16. Transfer of the Property or a Beneficial Interest in Borrower. If all or any part of the Property or any interest in it is sold or transferred (or if a beneficial interest in Borrower is sold or transferred and Borrower is not a natural person) without Subordinate Lender's prior written consent, Subordinate Lender may, at its option, require immediate payment in full of all sums secured by this Subordinate Deed of Trust. However this option shall not be exercised by Subordinate Lender if exercise is prohibited by federal law as of the date of this Subordinate Deed of Trust.

If Subordinate Lender exercises this option, Subordinate Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is delivered or mailed within which Borrower must pay all sums secured by this Subordinate Deed of Trust. If Borrower fails to pay these sums prior to the expiration of this period, Subordinate Lender may invoke any remedies permitted by this Subordinate Deed of Trust without further notice or demand on Borrower.

NON-UNIFORM COVENANTS, Borrower and Subordinate Lender further covenant and agree as follows:

17. Acceleration; Remedies. Upon Borrower's breach of any covenant or agreement of Borrower in this Subordinate Deed of Trust, including the covenants to pay when due any sums secured by this Subordinate Deed of Trust, Subordinate Lender prior to acceleration 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 Subordinate Deed of Trust, 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 proceeding the nonexistence of a default or any other defense of Borrower to acceleration, foreclosure and sale. If the breach is not cured on or before the date specified in the notice, Subordinate Lender, at Subordinate Lender's option, may declare all of the sums secured by this Subordinate Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale, foreclose this Subordinate Deed of Trust by judicial proceeding and any other remedies permitted by applicable law. Subordinate Lender shall be entitled to collect all reasonable costs and expenses incurred in pursuing the remedies provided in this Paragraph 17, including, but not limited to, reasonable attorney's fees, and costs of documentary evidence, abstracts and title reports.

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

19. Assignment of Rents; Appointment of Receiver; Subordinate Lender in Possession. As additional security, Borrower hereby assigns to Subordinate Lender the rents of the Property, provided that Borrower shall, prior to acceleration under Paragraph 16 hereof or abandonment of the Property, have the right to collect and retain such rents as they become due and payable. Upon acceleration under Paragraph 16 hereof or abandonment of the Property, Subordinate Lender, in person, by agent or by judicially appointed receiver shall be entitled to enter upon, take possession of and manage the Property and to collect rents of the Property including those past due. All rents collected by the Subordinate Lender or the receiver shall be applied first to payment of the costs of management of the Property and collection of rents, including, but not limited to, receiver's fees, premiums on receiver's bonds and reasonable attorney's fees, and then to the sums secured by this Subordinate Deed of Trust. Subordinate Lender and the receiver shall be liable to account only for those rents actually received.

20. Release. Upon payment of all sums secured by this Subordinate Deed of Trust, Subordinate Lender shall request servicer to release this Subordinate Deed of Trust and shall surrender all notes evidencing indebtedness secured by this Subordinate Deed of Trust to servicer. Borrower shall pay all costs of release and recordation, if any.

21. That the Subordinate Note has been identified by signature and seal of the Notary Public acknowledging the execution of this Subordinate Deed of Trust. The provisions of this Subordinate Deed of Trust shall be binding upon and inure to the benefit of Grantor, his heirs, personal representative, successors and assigns, the Trustee and any successor, or substitute trustee, and the Holder. Whenever used herein, the singular shall include the plural, the plural the singular, and the use of gender shall be applicable to all genders.

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

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

SAMPLE

IN WITNESS WHEREOF, Borrower has executed this Subordinate Deed of Trust.

Borrower:

Borrower:

DISTRICT OF COLUMBIA, TO WIT:

I HEREBY CERTIFY, that on this _____ day of _____, _____, before me the undersigned Notary Public of the District of Columbia, personally appeared _____, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledged that he/she executed the same for the purposes therein contained.

AS WITNESS my hand and Notarial Seal.

Notary Public
My Commission Expires: _____

SAMPLE

EXHIBIT A
(Legal Description)

SAMPLE