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DEFERRED EQUITY EXCHANGE AGREEMENT
UNITED STATES TREASURY GUARANTEED

The terms and conditions of this DEFERRED EQUITY EXCHANGE AGREEMENT (hereinafter, This Agreement) as entered into this day by and between :

John Smith and Jane Smith, Mortgagor(s) (hereinafter, Borrower) and
National Bank of America, N.A., Mortgagee (hereinafter, Lender).

Re: Property Address 123 Glenview Avenue, Summertown, NY 12345

(hereinafter, the property) by mutual consent of Borrower and Lender, shall effect terms for establishing a current payments status and/or reinstatement of the Mortgage or the Deed of Trust (hereinafter, The Loan) as entered into by and between Borrower and Lender and dated: September 24, 2005.

I. REASON FOR THIS AGREEMENT:

Borrower has defaulted on the terms of The Loan with the payment due on or before July 1, 2008 and all payment(s) due thereafter. The specific purpose of This Agreement is to cure the Borrower's delinquency and default of The Loan.

Lender shall have the right to pursue collection efforts, including foreclosure and other means as provided by The Loan until such time as This Agreement is effected by both parties. Proposal of This Agreement does not forfeit any rights as provided by The Loan.

As of the date of This Agreement, the principal balance of The Loan is \$136,904.76 and the monthly payment by Borrower for principal and interest portion due per terms of the loan repayment schedule is in the amount of \$1,101.38. Said principal amount remains due and payable pursuant to the terms of The Loan until such time as said terms have been redressed by mutual consent of Borrower and Lender. In addition, the following amounts are due and owing by the Borrower:

1. Accrued Interest, through <u>December 31, 2008</u> ,	\$ 5,987.27
2. Escrow payments past due	\$ 2,100.00
3. Late Fees	\$ 285.00
4. Advances by lender on behalf of Borrower	\$ N/A
5. Attorney fees and costs	\$ 2,800.00
6. Other (as itemized on attached "Other Costs Schedule)	\$ <u>375.00</u>

The Loan Reinstatement Total: \$ 11,547.27

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II. PRE-CONDITIONS FOR EFFECTING TERMS OF THE AGREEMENT:

Borrower shall be in full compliance with each of the following pre-conditions and shall remain in compliance to effect the terms of This Agreement.

1. Borrower shall remit a down payment, exclusive of This Agreement publisher fee, in the amount of **\$500.00**, on or before **January 5, 2009**, to Lender, deliverable to Lenders specified address (hereinafter, Lender's address) for payment per terms of The Loan.
2. This Agreement shall be signed, in the presence of a notary and returned to Lender at Lender's address on or before **January 5, 2009**.
3. Borrower must remain in compliance with the terms of The Loan except for those as redressed by This Agreement. All other terms and/or conditions and/or covenants of The Loan shall remain in full force and effect.

III. TERMS FOR APPLYING CURRENT PAYMENTS STATUS AND/OR REINSTATEMENT:

The terms and conditions as specified below are set forth on the basis of the Lender's calculation of The Loan reinstatement total as noted in Section I of this agreement. Additional advances and/or additional fees and costs and/or additional interest and/or any and all other factors contributing to and/or requiring amendment of The Loan reinstatement total shall be due and payable as part of the terms of This Agreement. Said additional amount shall be paid in full by the Borrower, separate from payment(s) due per specified schedule(s) of This Agreement, immediately upon discovery and a minimum 10 day written notification shall be provided by Lender to Borrower of said additional payment due, as applicable.

It is mutually understood and agreed that The Loan shall be redressed as follows:

1. The Loan reinstatement total amount that remains unpaid by Borrower after credit to Borrower for down payment as specified herein (Section II, paragraph 1.) is in the amount of **\$11,047.27** (hereinafter, reinstatement balance).
2. Payment of reinstatement balance shall be secured by Borrower from The United States Department of the Treasury DEFERRED EQUITY MORTGAGE FUND and said payment shall be paid to Lender on or before February 1, 2009. Reinstatement balance shall remain due and owing by Borrower to The United

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States Department of the Treasury (hereinafter, The U.S. Treasury). In accordance with the terms and covenants of The U.S. Treasury DEFERRED EQUITY MORTGAGE FUND lending agreement, payment of said reinstatement balance amount shall be deferred and held as an amount payable by Borrower as Borrower's Deferred Payments Balance, as established by The U.S. Treasury on behalf of Borrower for the specific purpose of alleviating demand by The Loan of Borrower for immediate payment in full of same. Borrower shall pay said Deferred Payments Balance in full on or before the 30th calendar day subsequent to the last payment due and owing per terms of The Loan, or in the event of sale of the property by Borrower, during the property sale closing transaction, together with payment(s) due per terms of The Loan.

3. Principal balance of The Loan is in the amount of **\$133,481.02**. Principal of The Loan shall be due and owing by Borrower per terms as specified by The Loan, with exceptions as follow; Borrower shall pay the outstanding principal in 336 equal monthly remittances of **\$397.27** each (hereinafter, monthly principal; payments), with said monthly remittances due per terms of The Loan, beginning February 1, 2009, and continuing each month per terms of This Agreement. Payments shall remain in effect for the duration of the redressed payments term with the final payment being due and payable on or before **December 1, 2038** (hereinafter, maturity), or until such time as The loan balance has been satisfied in full by Borrower.

3. The interest payment to be paid by Borrower at full amortization of The Loan, except for that as included with reinstatement balance, is in the amount of **\$224,735.24**. Lender hereby consents to acceptance of an amount to be sent with monthly principal payments by Borrower, of **\$401.31**, thereby rendering a monthly remittance of **\$798.58** to be sent by Borrower each and every month for the remaining term of The Loan, or until The Loan has been satisfied. Total interest payment by Borrower at full amortization of the principal as set forth by the terms of The Loan is in the amount of **\$236,338.84**. As such, Lender by consent to terms as provided by This Agreement shall have collected from Borrower an interest amount that is **\$89,894.10** (hereinafter, Deferred Interest Balance) less than that amount as provided by The Loan. In further accordance with terms and covenants of The U.S. Treasury DEFERRED EQUITY MORTGAGE FUND lending agreement, Borrower shall secure payment in the amount of **\$267.54** each and every month of The Loan term from The U.S. Treasury as required to effect full payment to Lender, per terms of The Loan. Accordingly, said payment of **\$267.54** to Lender by The U.S. Treasury on behalf of Borrower shall be added to Borrower's Deferred Payments Balance account. Borrower hereby consents to DEFERRED EQUITY EXCHANGE with The U.S. Treasury whereby Borrower shall remit accrued Deferred Interest Balance, which shall have accrued an amount of

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\$100,941.37 (hereinafter, Deferred Payments Balance) at maturity of The Loan, to The U.S. Treasury on or before 30 calendar days subsequent to maturity, or in full at property sale closing transaction by Borrower, which ever shall occur first. Lender shall retain the option of extending terms for remittance subsequent to maturity of said Deferred Payments Balance and said terms shall be in accordance with the terms of The Loan, with the exception that term for amortization of the Deferred Payments Balance shall be for **180** months, thereby extending maturity of The Loan. In said event that Lender elects to exercise said option, Lender shall make payment to The United States Treasury for the full amount payable by Borrower and shall provide Borrower written notification of Lender's intent of same, no less than 90 calendar days previous to maturity of The Loan.

IV. LENDER/BORROWER SHARED CAPITAL GAIN/LOSS AGREEMENT:

1. Whereas Borrower has purchased mortgaged property pursuant to the terms and covenants of The Loan, and Lender has security consideration as effected by The Loan mortgage instrument, it is understood and agreed by both parties that each has a mutual and inseparable interest in the condition, maintenance thereof and assigned market value of the mortgaged property. It is further understood and agreed by both parties that certain prevailing conditions precipitated by events that were neither foreseen nor anticipated by either party at the time each had indicated by signature their consent to the terms and conditions of The Loan, including, but not limited to a significant deterioration of realty market conditions, has potentially rendered the mortgaged property of less value than as assigned at the time of The Loan. As such, both Lender and Borrower consent and agree to mutually share gain in the form of profit from the sale of the property by Borrower at a future date, and further consent and agree to mutually share obligation regarding loss in the alternative, pending sale price at the time of property sale by Borrower. Each party further agrees to additionally share said gain or loss with The U.S. Treasury, in further accordance with the terms and covenants of The U.S. Treasury DEFERRED EQUITY MORTGAGE FUND lending agreement. Share of gain or loss by all parties shall be in accordance with the following terms and conditions for marketing and sale of the property.
 - A. The property shall be sold for no less than 90% of the appraised value of the property and said appraised value shall be determined by calculating the average of two separate property appraisals, completed by licensed professionals who practice within, and are familiar with the realty market of the immediate locale of the property, one appraisal procured by each party, and said appraisals shall be completed within 3 months of the date of the property sale transaction.

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- B. Borrower shall remain in occupancy as Borrower’s primary residence for a period not less than 30 months (900 calendar days) subsequent to the date of This Agreement. Furthermore, borrower shall not market the property for sale before such time as said 30-month occupancy term (hereinafter, occupancy term) has expired.
- C. Accordingly, Gain/Loss Schedule for consideration for each party shall be determined by a percentage of the net gain or net loss from the sale of the property, after allowance for property marketing and transaction costs, exclusive of property title encumbrances incurred solely by either party that do/does not include the obligorship of the other (i.e. judgment lien, etc.). Said Gain/Loss schedule from property sale net proceeds shall be adjusted in accordance with the schedule as follows, with each respective adjustment occurring for the calendar period (denoted “Period”) as indicated. Each respective calendar period begins on the first calendar day subsequent to the last day of occupancy term:

Period:	Lender % Gain/Loss:	Borrower % Gain/Loss:	U.S. Treasury% Gain/Loss
Years 1 - 3	30%	30%	40%
Years 4 - 5	25%	45%	30%
Years 6 - 7	15%	65%	20%
Years 8 +	0%	100%	0%

- D. Each party shall be individually responsible for property title encumbrances incurred in the form of claim(s) and/or incurred obligorship against oneself, and shall effect satisfaction of same, or arrange for transaction of clear and unencumbered title of the property, as applicable.
- E. In the event of shared net loss incurred from the sale of the property, Lender shall pay combined net loss amount of Lender and Borrower in it’s entirety at the time of the property sale closing transaction. At such time, if Borrower portion of said net loss does not exceed \$500.00 U.S., Borrower shall effect full satisfaction to lender at the property sale closing transaction. If Borrower net loss portion is in an amount greater than \$500.00, Borrower shall have the option to commit a promissory note to Lender at the time of the property sale transaction, and said note shall be provided by Lender. Said promissory note shall provide for repayment by Borrower to Lender at an annual rate of interest of 3%, amortized for a period to be determined by the amount of said Borrower net loss portion, according to the schedule as follows:

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Amount:	Term:
> \$500.01, up to \$999.99	18 months
\$1,000.00 up to \$2,499.99	30 months
\$2,500.00 up to \$4,999.00	60 months
\$5,000.00 up to \$10,000.00	84 months
> \$10,000.00	120 months

- F. Lender shall have the option to file a “services” lien for the face amount of the promissory note against any and all real property owned individually and/or jointly by Borrower, until such time as the subject promissory note has been satisfied.

