

EXHIBIT B
LETTER FROM THE PRESIDENT #1 - SAMPLE

Date:

Dear:

As the President of CBC Mortgage Agency, I want to congratulate you on the purchase of your new home, and provide you with some important details and choices as it relates to your financing. Our government agency is working with your lender, Test Seller, to provide the down payment funds in conjunction with the 1st mortgage loan you are receiving. The down payment funds we provide are typically in the form of a second mortgage, which may or may not require repayment.

Our Mission - As a federally chartered, public purpose, government agency, we work to increase affordable and sustainable homeownership opportunities for credit worthy individuals who lack down payment funds.

Given your home ownership and financial security goals, it is critical that you fully understand your mortgage terms. You have chosen to obtain home financing by using a mortgage professional. That was a good decision. Undoubtedly in the course of the mortgage application process they have explained to you the various alternative types of mortgages and the features, advantages, and trade-offs of each.

In addition, you have received a number of documents which disclose the key terms of the first mortgage type you have selected. You will also be provided with the promissory note which obligates you to repay the sum you are borrowing. That note describes in detail how your mortgage will work. I encourage you to read these documents carefully and to consult with your mortgage professional if you should have any questions.

The following are a few important points for you to consider as you go through the home buying process.

DOWN PAYMENT AND INTEREST RATE - OPTIONS AND DECISIONS

The terms of your 1st mortgage can be impacted if you don't have your own down payment. It is possible that the interest rate on your 1st mortgage is higher than if you provided your own down payment. Ask your licensed mortgage loan professional what the interest rate on the 1st mortgage would be were you to provide your own down payment. You will then be presented with three options with respect to obtaining a loan through our Agency as follows:

Option 1 - Save up your own down payment, and receive no down payment assistance and the associated 2nd mortgage.

Advantages:

- Typically, a lower interest rate on the 1st mortgage
- Potentially easier processing and underwriting

Disadvantages (potential):

- While saving up the down payment, the home you're looking to buy is sold.
- While saving up the down payment, home prices in general go up, resulting in less future equity and wealth creation for your household.
- You are left with diminished savings in your bank account, causing financial difficulty or consumer borrowing to purchase furniture, yard equipment, etc. You may lack the funds to cover an unforeseen event, i.e. unforeseen repairs or medical emergency.

Option 2 - Buy now and obtain your down payment through the Chenoa Fund DPA Edge Program, provided by CBC Mortgage Agency.

Advantages:

- Potentially enjoy future increased household net worth by buying now if home prices increase over time.
- Ability to purchase available properties now, without risking that inventory will be sold months down the road when you're ready to buy.
- Potentially not be required to pay back the down payment you receive from the Chenoa Fund. (Certain restrictions apply: 36 months of consecutive on-time 1st mortgage payments qualify for us to forgive the balance of the 2nd mortgage).
- Preserve any funds you currently have in your bank account and use them to cover emergencies, furniture, yard equipment, etc. Oftentimes, new homeowners purchase a home, and given they now lack cash, they finance needed household items on credit, at terms much worse than they could have had under a second mortgage through CBC Mortgage Agency.

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Disadvantages:

- Typically, higher interest rate on the 1st mortgage, causing you to lock in a higher payment for potentially years. ***Over time, the amount of additional interest you pay on the first mortgage could exceed the amount of the down payment assistance.***
- CBC Mortgage Agency will typically not subordinate the 2nd mortgage in the first 3 years of the loan. This means that if interest rates drop 6 months after you purchase the home and you desire to refinance, you may be required to repay the down payment you received, or be prevented from refinancing altogether.

Option 3 - Buy now and obtain your down payment through Chenoa Fund Rate Advantage Program, provided by CBC Mortgage Agency.

Advantages:

- Competitive market interest rates on the 1st mortgage
- Potentially enjoy future increased household net worth by buying now if home prices increase over time.
- Ability to purchase available properties now, without risking that inventory will be sold months down the road when you're ready to buy.
- Preserve any funds you currently have in your bank account and use them to cover emergencies, furniture, yard equipment, etc. Oftentimes, new homeowners purchase a home, and given they now lack cash, they finance needed household items on credit, at terms much worse than they could have had under a second mortgage through CBC Mortgage Agency.

Disadvantages:

- Instead of receiving a forgivable 2nd mortgage for your down payment, you will be required to repay the down payment assistance funds over a 10-year period at a fixed rate.

CLOSING PROCESS

If your loan is approved, you will later go to closing to sign documents to own the home. This will entail signing many agreements which obligate you to repay the money you have received. In addition, you will sign a set of 2nd mortgage documents for the down payment assistance funds. There will be a lien attached to the title of your property which will not be removed until either 36 months of on-time 1st mortgage payments have been made, OR the loan is paid off. **If the second mortgage needs to be paid off over time, you will have two payments, one for the first mortgage and one for the second mortgage.**

POST CLOSING - OWNING YOUR OWN HOME

We strongly believe in the merits of homeownership, since homeownership has been demonstrated to improve health, educational performance, stability of communities, household wealth creation, and more stable retirement years. You will likely come to see and enjoy these benefits in your own life.

Since we are interested in not only helping you buy a home, but also keeping you in the home, let me explain a few suggestions for sustainable home ownership, some of which may seem obvious:

1. **Pay your 1st mortgage on time** - So long as you are not more than 30 days late, your second mortgage will be forgiven after 36 months. This is a huge benefit and results in immediate equity gain.
2. **Hardship** - Should you face a situation which prevents you from making a mortgage payment on time, it is critical you discuss this with your lender before the problem grows. Often times a struggling homeowner will "hide" and not speak with the mortgage company, hoping the problem will fix itself. This is the worst thing you can do, since the hole created could be too big to climb out of.

The Sale Of Your First Mortgage: It is likely that your 1st mortgage will be sold from time to time. The terms of your loan will not change regardless of who owns it. Do not be alarmed by this, it is normal. You will be notified in writing by both the company selling the mortgage, as well as the company buying the mortgage. Even though we may sell your 1st mortgage loan, we are still highly motivated in seeing you succeed as a new homeowner.

To that end, we will take proactive steps to stay in touch with you over the next year. Look at us as your friend and advisor. We are anxious to see you successfully meet the 36-month forgiveness schedule, and will reach out to you via letter, email, and phone from time to time. We call this our *Borrower Success Program*. We want to be a resource to you. Should you have difficulty with your new lender, it may be possible for us to help.

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Our *Borrower Success Program* is implemented through our partnership with HLP and other HUD approved, non-profit counselors. CBC Mortgage Agency works hand-in-hand with HLP to ensure you have all the tools and resources you need to be a successful, long-term homeowner. Over the next twelve months, HLP and CBC Mortgage Agency (sometimes referred to as CBCMA) will reach out to you via letter, email and telephone to check in, offer assistance as needed, or to simply congratulate you on your success. The *Borrower Success Program* is offered free of charge and we hope you will take advantage of this valuable service.

We wish you success in this highly rewarding endeavor - the dream of homeownership. We are here as your friends and advocates. Please don't hesitate to use us as a resource in the months and years ahead.

Sincerely,

Richard Ferguson
President
CBC Mortgage Agency

I/We acknowledge having received and read this Letter From the President:

Borrower

Date