



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Santa Ana Homeownership Center
Santa Ana Federal Building
34 Civic Center Plaza, Room 7015
Santa Ana, CA 92701-4003
www.hud.gov & espanol.hud.gov

RE-APPROVAL DATE: 3/9/07

APPROVED FOR THE FOLLOWING AREAS: Los Angeles, Orange, Riverside and San Bernardino Counties, California

Mr. Raman Nayar
President
AOF/Pacific Affordable Housing Corporation
7777 Center Avenue, Suite 240
Huntington Beach, CA 92647-3007

Dear Mr. Nayar:

The Santa Ana Homeownership Center is pleased to advise you that AOF/Pacific Affordable Housing Corporation has been recertified as a nonprofit organization to perform the following activities:

- Participate as a mortgagor to obtain FHA-insured financing at the same attractive terms as owner occupants.
- Purchase HUD foreclosed properties, in certain cases, at a discounted price.

Following are restrictions and limits which will apply to your nonprofit organization.

RESTRICTIONS & LIMITS:

For purchasing HUD properties and obtaining FHA-insured mortgages:

1. Approval to purchase HUD properties at a discount and obtain FHA-insured mortgages is restricted to the geographic areas identified above.
2. You will be restricted to purchasing a total of twenty-five (25) properties per year. In addition, you may not be the owner of more than ten (10) properties at any time. (When you are in title to ten (10) properties, you must complete the sale of one (1) of the properties prior to purchasing another.) In addition to the annual reporting requirements, no later than thirty (30) days after you have completed the rehabilitation and sale of each property, you are required to submit to our Tucson office, 160 North Stone Avenue, Tucson, AZ 85701, an interim report including the purchase price (include certified HUD-1 settlement statements showing buyers and

sellers portions), the net development cost, and documentation/receipts to support rehabilitation expenditures, verification of the resale price (include certified HUD-1 settlement statement), verification of the income level and family size of the buyers. Based on our review, HUD reserves the right to require additional documentation.

3. AOF/Pacific Affordable Housing Corporation may not exceed these restrictions or purchase more than twenty-five (25) properties per year without written authorization from the Homeownership Center. If AOF/Pacific Affordable Housing Corporation exceeds the approved restrictions or fails to submit your interim report after each of the properties has been rehabilitated and sold, your agency may be subject to immediate removal from HUD's nonprofit program.

Although your nonprofit agency has been approved and other HOCs will recognize this approval, the affordable housing program approval is limited to the geographic areas listed above. Should you wish to expand into other areas, please contact the individual listed below for expansion requirements. Your nonprofit approval will expire in two years from the date of this approval. Please submit a request for recertification at least 30 days prior to the expiration of this approval. Finally, you must notify the Santa Ana Homeownership Center immediately if the Affordable Housing Program is changed.

If you are purchasing homes at the 10% or 30% discount level, our approval is contingent upon the receipt of annual reports documenting your accomplishments during the previous calendar year. This report is to be sent to our Tucson office at 160 North Stone Avenue, Tucson, AZ 85701, Attention: Nonprofit Team, and is due by February 1st of the following year.

A copy of this approval letter should be provided to your lender for each mortgage transaction. Please be aware that our approval of your organization is not to be construed as an automatic acceptance of your ability to qualify for an FHA-insured mortgage loan. Your lender will perform a credit evaluation, a financial analysis and will assess your agency's development and management capacity before making a decision to approve or reject your organization as a borrower.

As a reminder, all nonprofit organizations are subject to the following additional limitations:

- Unless an exception is granted in writing by the Department, the nonprofit purchaser of a property at a 10% or 30% discount shall not resell the property for an amount in excess of 110% of the net development costs.
- All FHA products purchased with a 10% or 30% discount and resold by a nonprofit agency must be sold to homebuyers who intend to occupy the property as their principal residence and whose income is at or below 115% of median income in the area when adjusted for family size.
- A nonprofit must have a functional accounting system that operates according to generally accepted accounting principles in order to properly capture property

related costs and revenues.

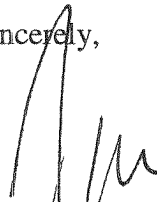
- Please be advised that any borrower including nonprofit agencies that act as a borrower are restricted from obtaining FHA insured financing for a property that may be rented if it has or will have a financial interest in more than seven rental units (regardless of financing type) in a contiguous area, generally defined as a two-block radius.

In order to access the list of properties available for sale to nonprofit organizations, please access the Department's property list at the following web site: <http://www.hud.gov/offices/hsg/sfh/reo/reohome.cfm>. Questions regarding access to properties, bid results and instructions, and available properties should be addressed to the organization listed on that web site that currently is responsible for the sale of HUD homes in the states served by the Santa Ana Homeownership Center.

It is the nonprofit organization's responsibility to be aware of guidelines and procedures relative to nonprofit participation in FHA programs and to maintain a knowledge of any updates which relate to these guidelines and procedures. Guidance letters, handbooks and all information will be made available to the HUD Internet site located at http://www.hud.gov/offices/hsg/sfh/np/np_home.cfm. Those organizations that do not adhere to Departmental guidelines and procedures are subject to possible suspension and/or removal from the approved nonprofit listing.

We appreciate your interest in the Department's programs and your assistance to low- and moderate-income homebuyers. AOF/Pacific Affordable Housing Corporation's program will provide an excellent opportunity for affordable housing in your community. If we can be of further assistance, please call Gayle Ota at 808-522-8190, Ext. 228.

Sincerely,



Jerrold H. Mayer
Director
Program Support Division