**Section 260.403 Terms and Conditions of the Purchase of Mortgage Loans**

a) The Authority or its designee shall purchase Mortgage Loans on the terms and conditions and in the manner prescribed in the Mortgage Purchase Agreement. The Mortgage Purchase Agreement shall contain such warranties of the Lender in connection with the Mortgage Loans to be sold under the Mortgage Purchase Agreement as the Authority or its designee shall require. These warrantees shall include, but are not limited to, the following:

1) The mortgagor is an Eligible Borrower;

2) The purchase price of the Qualified Dwelling subject to the Mortgage Loan does not exceed any maximum purchase price limitations established by the Authority;

3) The Mortgage Loan is evidenced by a properly executed promissory note made payable or assigned to the order of the Lender, endorsed by the Lender to the Authority or its designee and secured by a Mortgage on the Qualified Dwelling; both the note and the Mortgage are the legal, valid and binding obligations of the makers and mortgagors and are enforceable in accordance with their terms, unless enforcement is limited by laws affecting the enforcement of creditors' rights generally, if all parties to each Mortgage Loan had full legal capacity to execute all Mortgage Loan documents at the time of execution;

4) The Mortgage, the Uniform Commercial Code Form 1 and Form 2 financing statements, if any, and any other document required to be filed in a public office to perfect the mortgage lien against third parties have been duly and timely filed, registered or recorded by the Lender in the proper public office in order to give constructive notice of them to all subsequent purchasers or encumbrancers;

5) The Lender, being the sole owner and holder of the Mortgage Loan, has full right to sell and assign the Mortgage Loan to the Authority or its designee and that assignment conveys a good and marketable mortgagee's title to the Authority or its designee free and clear of all liens and encumbrances and subject only to real property taxes and assessments not yet due and encumbrances customarily accepted in accordance with applicable title standards and disclosed to the Authority or its designee prior to purchase of the Mortgage Loan;

6) The Mortgage creates a valid and existing first mortgage lien on the Qualified Dwelling to secure the Mortgage Loan, unless otherwise authorized by the Authority or its designee; the term "first mortgage lien" means classes of first liens commonly given to secure loans on real estate under the laws of the State;

7) The Lender has not modified in any respect and has not satisfied, canceled, subordinated or compromised in whole or in part the Mortgage Loan indebtedness, and has not released the mortgaged property in whole or in part from the lien of the indebtedness evidenced by the note and secured by the Mortgage; and the terms, covenants and conditions of the note evidencing the Mortgage Loan and the Mortgage securing the Mortgage Loan shall not have been waived, altered or modified in any respect that would materially affect the validity or enforceability of the Mortgage Loan or the security of the lien of the Mortgage;

8) The real property securing the Mortgage Loan is a Qualified Dwelling;

9) The Qualified Dwelling is covered by a valid and existing policy of homeowner's property and casualty insurance meeting the requirements of the Authority or its designee;

10) The Lender has complied as follows:

A) as to each FHA-insured Mortgage Loan, with the National Housing Act (12 USC 1701 et seq.) as amended and supplemented, all rules and regulations issued under the National Housing Act and all administrative publications. The FHA insurance shall be in full force and effect and, upon purchase by the Authority or its designee of the Mortgage Loan, shall inure to the benefit of the Authority or its designee;

B) as to each Mortgage Loan guaranteed by the VA or FmHA, with the Servicemen's Readjustment Act (38 USC 1803 et seq.), the Consolidated Farm and Rural Development Act (7 USC 1921 et seq.), Title V of the Housing Act of 1949 (42 USC 1471-1482) or other applicable federal law, as amended and supplemented, all rules and regulations issued under those laws and all administrative publications. Any such guaranty shall be in full force and effect and, upon purchase by the Authority or its designee of the Mortgage Loan, shall inure to the benefit of the Authority or its designee; and

C) as to each Mortgage Loan insured by a private mortgage insurance company, with all rules and requirements of that company. Any such insurance shall be in full force and effect and, upon purchase by the Authority or its designee of the Mortgage Loan, shall inure to the benefit of the Authority or its designee;

11) The Mortgage Loan is covered by a fully paid mortgagee's title insurance policy in such form as the Authority or its designee may require and under which the Authority or its designee is a loss payee; and

12) To the best of Lender's information, knowledge and belief, no condition exists that would prohibit the purchase of the Mortgage Loan by the Authority or its designee under all applicable rules, regulations and contractual provisions.

b) The Mortgage Purchase Agreement shall provide that the Authority shall have the right to require the Lender to repurchase Mortgage Loans sold to the Authority or its designee by the Lender if the Director, Deputy Director, Assistant Director or Managing Director determines that the Lender has failed to comply with the requirements of either this Part or its contracts and agreements with the Authority under the Program.

(Source: Amended at 33 Ill. Reg. 7295, effective May 22, 2009)