



**South Puget Sound Habitat for Humanity  
Mortgage Servicing Policies  
Effective January 1, 2017**

**1. General**

- 1.1. **Purpose.** This document defines and describes the mortgage servicing policies and procedures of South Puget Sound Habitat for Humanity (“SPSHFH”). This document is intended to inform Customers of these policies and procedures and to guide Staff in managing mortgage servicing activities. This document is not intended to join, amend, supersede or replace any term or condition of any deed of trust, promissory note, real estate contract, or any other security instrument. Exhibits are attached hereto solely as examples; specific terms and conditions may vary.
- 1.2. **Approved.** These mortgage servicing policies were approved by the Board of Directors of SPSHFH on December 6, 2016.
- 1.3. **Effective.** These mortgage servicing policies are effective as of January 1, 2017.
- 1.4. **Amendment and Revision.** SPSHFH may amend and revise the policies herein at any time. SPSHFH shall notify Customers of any amendments and revisions. SPSHFH shall notify Customers of these policies at least once each year.

**2. Definitions**

- 2.1. **Customer** is any person subject to the terms or conditions of any deed of trust, promissory note, real estate contract, mortgage, or any other instrument securing payments due and other performance obligations.
- 2.2. **Property** is the certain real estate and all other improvements used as security for the performance of any deed of trust, promissory note, real estate contract, mortgage, or any other security instrument.
- 2.3. A **Periodic Payment** is an amount sufficient to cover principal, interest, and escrow for a given billing cycle. A payment qualifies as a Periodic Payment even if it does not include amounts required to cover late fees, other fees, or other non-escrow payments.
- 2.4. A **Partial Payment** is any amount less than the Periodic Payment due in a given billing cycle.
- 2.5. **South Puget Sound Habitat for Humanity (“SPSHFH”)** is a private, nonprofit corporation whose mission is to build owner occupied affordable housing.

- 2.6. **Staff** is a person employed by SPSHFH with mortgage servicing duties.
- 2.7. For the purposes of this document, the terms mortgage, loan, real estate contract, or other similar words have the same meaning and refer to the formal contractual relationship between a Customer and SPSHFH as further described in a deed of trust, promissory note, real estate contract, mortgage, or other security instrument.

### 3. Payment Policies

- 3.1. **Due Date.** Periodic Payments are due the first day of each month.
- 3.2. **Late Payments.** Periodic Payments received after 5:00pm on the 15th day of the month are late. When the 15th day of the month falls on a weekend, holiday, or outside of regular business hours, a payment shall not be considered late if it is received during regular business hours on the next business day. The payment shall be considered late if it is received anytime thereafter.
- 3.3. **Partial Payments.** Partial Payments may not be accepted. If a Customer makes Partial Payments, and the sum of the Partial Payments is less than the Periodic Payment due in the given billing cycle, then the Periodic Payment may be considered late as described above.
- 3.4. **Late Fees.** A Customer whose Periodic Payment is considered late shall be charged a late fee. The amount of the late fee shall equal the amount noted in the Customer's mortgage or loan documents.
- 3.5. **Payment Methods.** Payments may be made in person during regular business hours, sent via regular first class mail, or any other acceptable method of delivery, at 711 Capitol Way S, Suite 401, Olympia, WA, 98501. Acceptable forms of payment are cash, personal check, cashier's check, money order, and automatic withdrawal.
- 3.6. **Automatic Withdrawal.** Automatic withdrawal (ACH) is the preferred payment method. Customers must submit an authorization form to participate in ACH. ACH payments are processed on or about the 5th of each month depending on holidays and weekends. Customers may call or email Staff, or submit a written request to cancel an ACH payment or to withdraw from ACH. Customers must request to cancel the payment by noon on the business day preceding the 3rd day of the month. For example, if the 3rd day of the month falls on a Saturday, then a Customer must submit a request to cancel the payment by noon on the 2nd day of the month, provided that the 2nd day is not a holiday or otherwise outside of regular business hours. If the 3rd day of the month falls on a Sunday, then a Customer must submit a request to cancel the payment by noon on the 1st day of the month, provided that the 1st day is not a holiday or otherwise outside of regular business hours. Customers may call or email Staff, or submit a written request to withdraw from ACH at any time, provided that the request is received and completed before the next scheduled ACH payment, and if not, the

request to cancel the payment is received as described above. A request to cancel a payment is presumed to be a request to withdraw from ACH.

- 3.7. **Waiver of Late Fees.** Customers may formally request that late fees be waived. Formal requests must be in the form of a written letter, signed and dated by the Customer, sent via mail or hand delivered. E-mail and phone requests will not be considered. No more than two late fees may be waived in a calendar year. Late fees will not be waived for accounts subject to the terms of a forbearance agreement. See Exhibit A for a template letter request to waive a late fee.
- 3.8. **Returned Check Fees.** If a payment is returned for non-sufficient funds (“NSF”), then a Customer may be subject to a fee equal to the amount assessed by the financial institution processing the payment. SPSHFH shall not waive these fees.
- 3.9. **Allocation of Funds.** Each payment shall be credited to the amounts due in a given billing cycle in the following order: escrow, interest, principal.
- 3.10. **Excess Funds.** If an account is current and a Customer pays more than the amount due in the given current billing cycle, the excess funds will be credited to the principal balance of the account. If an account is delinquent and such a payment is made, the excess funds will be credited to any late fee or other charge due (e.g. an NSF fee), and then to the principal balance of the account. Except as provided hereafter, excess funds shall not be credited to a Periodic Payment due in a future billing cycle.
- 3.11. **Prepayment.** If a Customer wishes to prepay a Periodic Payment, the Customer must provide written instructions with their payment to apply the funds to a payment due in the future, provided that (i) the funds shall be applied to future payments in order of date due beginning with the earliest next payment due, and (ii) the amount prepaid must be a Periodic Payment and not a Partial Payment. If the amount prepaid is a Partial Payment, then it shall not be applied to a future payment; it shall only apply to the principal balance of the account. If a Customer does not provide written instructions, then SPSHFH shall consider any additional funds as excess funds.

#### 4. Delinquency Management

- 4.1. **Definition.** An account is delinquent when an unpaid balance remains past due according to the payment schedule established by the Customer’s mortgage or loan documents. An account may become delinquent if no payment is made, if a partial payment is made and an unpaid balance remains, or if the account accrues late fees or other fees and an unpaid balance remains. An account is current if it is not delinquent. Staff shall manage delinquent accounts according to the number of days an account is past due. The number of days an account is past due is its (i) unpaid balance past due (inclusive of late fees and other fees) divided by (ii) the Periodic Payment as a daily rate, rounded up to the next whole number. The daily rate of a Periodic Payment is the Periodic Payment multiplied by 12 and divided by 365 days, rounded to the nearest cent. For instance, an account with a Periodic Payment of \$500 has a daily rate of

\$16.44. If this account has an unpaid balance of \$1,500, then the account is 92 days past due.

4.2. **Procedure.** If an account is delinquent, Staff must notify the Customer of their account status and the number of days their account is past due, along with other required notices and account information, on or about the last business day of each month the account is delinquent, according to the following schedule:

4.2.1. **Delinquent.** If an account is past due 30 days or less, Staff must send the Customer a letter requesting immediate payment.

4.2.2. **At-Risk.** If an account is past due more than 31 days but less than 90 days, Staff must send the Customer a letter requesting immediate payment. This letter will state the Customer is “at-risk” of default and foreclosure, the Customer may be eligible for loss mitigation options, and provide contact information for local housing counseling agencies.

4.2.3. **Default.** If an account is past due more than 91 days, Staff must send the Customer via regular first class mail, and by certified mail, a notice of default demanding immediate full payment. Staff must also attempt to personally serve the notice of default to the Customer.

4.2.4. **Foreclosure.** If full payment curing the existing default is not received 30 days from the date of the notice of default, Staff will cause a notice of trustee sale and a notice of foreclosure to be issued and recorded in accordance with state law.

4.3. **Transition Guidance.** On or about the effective date of these policies, Staff must send to a Customer with a delinquent account a letter explaining the effect of these policies on their account status. If a Customer is past due more than 91 days and the Customer has not yet received a notice of default but is otherwise scheduled to receive a notice of default as prescribed by these policies, then the Customer shall be given an additional 30 days to cure their default. This section only applies to those Customers who have not yet received a notice of default and whose accounts that are past due more than 91 days as of the effective date of these policies. An account that becomes past due more than 91 days after the effective date of these policies shall not be given additional time to cure their default.

## 5. Alternatives to Foreclosure

5.1. **Written Request Required.** Customers may formally request an alternative to foreclosure. Formal requests must be in the form of a written letter, signed, dated and sent via mail or personally delivered.

5.2. **Other Loss Mitigation Options.** SPSHFH formally offers two loss mitigation options as described in this document. However, these loss mitigation options are not

the only alternatives to foreclosure available to Customers. It is the policy of SPSHFH to give fair and reasonable consideration to other loss mitigation options a Customer may request, including those options available to Customers under law. Unless otherwise required by law, SPSHFH may deny such a request for any reasonable basis.

- 5.3. **Housing Counseling.** Customers are strongly encouraged to consult an attorney or HUD-certified housing counseling agency to explore other loss mitigation options and alternatives to foreclosure. A list of HUD-certified housing counseling agencies can be found online at [consumerfinance.gov/mortgagehelp](http://consumerfinance.gov/mortgagehelp), or by calling the U.S. Consumer Financial Protection Bureau at 1-855-411-CFPB (2372). The counseling agencies on this list are approved by the U.S. Department of Housing and Urban Development (HUD), and they can offer independent advice about whether a particular set of mortgage loan terms is a good fit based on your objectives and circumstances, often at little or no cost to you.

## 6. Forbearance Policy

- 6.1. **Definition.** Forbearance is a formal written agreement where SPSHFH agrees to forbear its rights and remedies against a Customer's default if the Customer makes payments to cure his or her existing default in addition to Periodic Payments, and meets the terms and conditions of the forbearance agreement. See Exhibit B for a sample forbearance agreement.
- 6.2. **Eligibility.** A Customer is eligible for forbearance if they meet all of the following criteria:
- 6.2.1. The existing default must be less than three Periodic Payments.
  - 6.2.2. The existing default must amortize over 24 consecutive months.
  - 6.2.3. The written request for forbearance is received by SPSHFH before a notice of trustee sale and notice of foreclosure (4.2.4) are issued and recorded.
- 6.3. **Subject to Approval.** Prior to approving a request for forbearance, Staff shall evaluate a Customer's payment history, ability to pay, and willingness to partner. Customers with a history of late or delinquent payments, including previous forbearance agreements or notices of default, may not be approved. Staff shall assess payment history on a case-by-case basis.
- 6.4. **General Terms.** Customers must comply with the terms and conditions of their forbearance agreement. In general, the terms of a forbearance agreement include:
- 6.4.1. Customers must make payments to cure their existing default in addition to and on the same date as their Periodic Payment.

- 6.4.2. Customers must continue to make Periodic Payments during the entire forbearance period.
- 6.4.3. A violation of the terms and conditions of the forbearance agreement may cause a notice of default to be issued. If a notice of default is issued because a Customer has violated the terms of a forbearance agreement, the Customer may be ineligible for subsequent forbearance agreements.

## 6.5. Procedure

- 6.5.1. A Customer requests forbearance in accordance with this policy.
- 6.5.2. Staff receive the Customer's written request.
- 6.5.3. Staff assess the Customer's eligibility and evaluate the Customer's payment history, ability to pay, and willingness to partner. Staff must complete this evaluation within a reasonable time period after a written request is made by a Customer. SPSHFH shall not charge a late fee while a Customer's request is under consideration, and until Staff notifies the Customer of its determination.
- 6.5.4. If the Customer's request for forbearance is denied, Staff will prepare a letter stating its determination, its reasons for decision, a deadline to cure the existing delinquency, whether the Customer may be eligible for other loss mitigation options, and provide contact information for local housing counseling agencies.

## 7. Deed-in-lieu Policy

- 7.1. **Definition.** Deed-in-lieu is short for deed-in-lieu of foreclosure. It is a formal written agreement where the Customer agrees to surrender possession of their Property and conveys ownership of their Property to SPSHFH in lieu of SPSHFH's rights and remedies against the Customer's default. See Exhibit C for a sample deed-in-lieu agreement.
- 7.2. **Eligibility.** A Customer is eligible for deed-in-lieu if they meet all of the following criteria:
  - 7.2.1. Customers may be eligible for deed-in-lieu up to the 37th day before the date of the trustee sale. After the 37th day before the date of the trustee sale, a Customer is ineligible for deed-in-lieu.
- 7.3. **Procedure**
  - 7.3.1. A Customer requests deed-in-lieu in accordance with this policy.
  - 7.3.2. Staff receive the Customer's written request.

- 7.3.3. Staff will assess the Customer's eligibility. Staff must complete this evaluation within a reasonable time period after a written request is made by a Customer.
- 7.3.4. If the Customer's request for deed-in-lieu is denied, Staff will prepare a letter stating its determination, its reasons for decision, a deadline to cure the existing default, whether the Customer may be eligible for other loss mitigation options, and provide contact information for local housing counseling agencies.

## 8. Escrow

- 8.1. **Requirements.** SPSHFH requires certain expenses to be paid through an escrow account, including semi-annual property taxes, homeowner's insurance annual premium, and homeowners' association dues (if applicable). Except as provided hereafter, SPSHFH requires each escrow account to maintain a reserve equal to one-sixth of total annual escrow liabilities.
- 8.2. **Escrow Accounting.**
  - 8.2.1. **General Policy.** Staff shall follow all federal and state regulations and guidelines on accounting practices for escrow accounts.
  - 8.2.2. **Computation Year.** The escrow account computation year is May 1 to April 30.
  - 8.2.3. **Escrow Analysis.** Escrow account analysis must be completed annually at the end of the computation year. The results of the analysis must be sent to Customers as soon as practicable, but no later than 25 days before the effective date of any proposed change in payments to escrow.
  - 8.2.4. **Surplus Funds.** If a surplus exists that is greater than \$50.00, and the Customer is current, then the Customer has the option to receive a refund or to apply the surplus to the Customer's principal balance. If a surplus exists of any value, and the Customer is not current, then SPSHFH shall apply the surplus first to the delinquency or default, and if any surplus remains that is greater than \$50.00, the Customer has the option to receive a refund or to apply the surplus to the Customer's principal balance.
  - 8.2.5. **Shortage or Deficiency.** If a shortage or a deficiency exists, then the Customer has the option to make an additional payment to escrow to cure the shortage or deficiency, or to repay the shortage or deficiency over at least a 12-month period.
  - 8.2.6. **Mitigation Policy.** If a shortage or deficiency requires a significant increase in payment or an additional payment to escrow of any amount, then the reserve or cushion of such an account may be lowered from the required amount in one-quarter increments (e.g. from 100% of the required amount to 75%, 50% or

25%) until either (i) the proposed change in payment is less than \$50.00 and the additional payment to escrow is zero, or (ii) until the reserve or cushion amount is zero. The intent of this mitigation policy is to lessen the burden of substantial increases in payments on a year-to-year basis. It is not the intent of this mitigation policy to remove the reserve requirement. Instead, mitigation is intended to be temporary, and only applicable to the computation year the escrow analysis evaluates (i.e. the forthcoming year). A mitigation in one year does not imply or guarantee continued mitigation. However, this mitigation policy does not apply in the case of default, foreclosure, or bankruptcy. An account in default, foreclosure, or bankruptcy is ineligible for mitigation.

## **9. Insurance.**

- 9.1. **Requirements.** Customers are required to keep their home adequately insured against loss by fire and other hazards. An insurance carrier providing an insurance policy shall be chosen by the Customer, subject to SPSHFH's approval. All insurance policies and renewals of such policies (i) shall be subject to SPSHFH's right to disapprove such policies, (ii) shall include a standard mortgage clause, and (iii) shall name SPSHFH as mortgagee and/or as an additional loss payee. If SPSHFH requires, Customers shall promptly give to SPSHFH all receipts of paid premiums and renewal notices. If a Customer obtains any form of insurance coverage, not otherwise required by SPSHFH, for damage to, or destruction of, a Customer's Property, such policy shall include a standard mortgage clause and shall name SPSHFH as mortgagee and/or as an additional loss payee.
- 9.2. **Notice of Loss.** In the event of loss, Customers shall give prompt notice to the insurance carrier and SPSHFH. SPSHFH may make proof of loss if not made promptly by the Customer.
- 9.3. **Insurance Proceeds.** Unless SPSHFH and a Customer otherwise agree in writing, any insurance proceeds, whether or not the underlying insurance was required by SPSHFH, shall be applied to restoration or repair of the Property, if the restoration or repair is economically feasible and SPSHFH's security is not lessened. During such repair and restoration period, SPSHFH shall have the right to hold such insurance proceeds until SPSHFH has had an opportunity to inspect such Property to ensure the work has been completed to SPSHFH's satisfaction, provided that such inspection shall be undertaken promptly. SPSHFH may disburse proceeds for the repairs and restoration in a single payment or in a series of progress payments as the work is completed. Unless an agreement is made in writing or applicable law requires interest to be paid on such insurance proceeds, SPSHFH shall not be required to pay a Customer any interest or earnings on such proceeds. Fees for public adjusters, or other third parties, retained by a Customer shall not be paid out of the insurance proceeds and shall be the sole obligation of the Customer. If the restoration or repair is not economically feasible or SPSHFH's security would be lessened, the insurance proceeds shall be applied to the sums secured by the Customer's mortgage or loan, whether or not then due, with the excess, if any, paid to the Customer. If a Customer

abandons the Property, SPSHFH may file, negotiate, and settle any available insurance claim and related matters. If a Customer does not respond within 30 days to a notice from SPSHFH that the insurance carrier has offered to settle a claim, then SPSHFH may negotiate and settle the claim. The 30-day period will begin when the notice is given. In either event, or if SPSHFH acquires the Property by the Customer's default or release, the Customer shall assign to SPSHFH (a) the Customer's rights to any insurance proceeds in an amount not to exceed the amounts unpaid under the Customer's mortgage or loan, and (b) any other of the Customer's rights (other than the right to any refund of unearned premiums paid by the Customer) under all insurance policies covering the Property, insofar as such rights are applicable to the coverage of the Property. SPSHFH may use the insurance proceeds either to repair or restore the Property or to pay amounts unpaid under the Customer's mortgage or loan, whether or not then due.

- 9.4. **Force-Placed Insurance.** If a Customer fails to maintain insurance coverage, SPSHFH may obtain insurance coverage, at SPSHFH's option and the Customer's expense. SPSHFH is under no obligation to purchase any particular type or amount of coverage. Therefore, such coverage shall cover SPSHFH, but might or might not protect the Customer, the Customer's equity in the Property, or the contents of the Property, against any risk, hazard or liability and might provide greater or lesser coverage than was previously in effect. The cost of the insurance coverage so obtained might significantly exceed the cost of insurance that Customer could have obtained.

## **10. Preservation, Maintenance, and Protection of the Property.**

- 10.1. **Requirements.** Customers shall not destroy, damage or impair the Property, allow the Property to deteriorate or commit waste on the Property. Whether or not a Customer is residing in the Property, the Customer shall maintain the Property in order to prevent the Property from deteriorating or decreasing in value due to its condition. Unless it is determined that repair or restoration is not economically feasible, a Customer shall promptly repair the Property if damaged to avoid further deterioration or damage. If insurance or condemnation proceeds are paid in connection with damage to, or the taking of, the Property, the Customer shall be responsible for repairing or restoring the Property only if SPSHFH has released proceeds for such purposes. SPSHFH may disburse proceeds for the repairs and restoration in a single payment or in a series of progress payments as the work is completed. If the insurance or condemnation proceeds are not sufficient to repair or restore the Property, a Customer is not relieved of the Customer's obligation for the completion of such repair or restoration.

Exhibit A  
Template Letter Request to Waive Late Fee

Request to Waive Late Fee

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Phone number: \_\_\_\_\_

Email: \_\_\_\_\_

Please describe your request. Be specific

\_\_\_\_\_  
\_\_\_\_\_

Please describe the reason for your request.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

I understand South Puget Sound Habitat for Humanity's late fee policy:

1. No more than two late fees may be waived in a calendar year.
2. Late fees will not be waived for accounts with existing delinquencies or default, or accounts subject to the terms of a forbearance agreement.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

---

*Habitat Use Only*

Date Received: \_\_\_\_\_

(Circle)

Approved

Not Approved

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Notes: \_\_\_\_\_

Exhibit B  
Sample Forbearance Agreement

## FORBEARANCE AGREEMENT

**THIS FORBEARANCE AGREEMENT** (this “Agreement”) is made as of the \_\_\_\_ day of \_\_\_\_\_, [YEAR] by and between **SOUTH PUGET SOUND HABITAT FOR HUMANITY**, a Washington nonprofit corporation (“Habitat”) and [NAME] (“Borrower”).

### RECITALS

**A.** Habitat made a loan to Borrower pursuant to the terms of a Promissory Note (the “Note”) dated [DATE], in the amount of \$[NUMBER], repayment of which is secured by a Deed of Trust dated [DATE], and filed of record on [DATE], in Thurston County, Washington under Auditor’s File No. [NUMBER] (the “Deed of Trust”) against the real property described therein (the “Property”).

**B.** The Note and the Deed of Trust shall be referred to herein as the “Loan Documents.”

**C.** The loan is in default because Borrower has failed to make the payments due under the terms of the Note in the aggregate amount of \$[NUMBER] (the “Existing Defaults”).

**D.** Borrower has asked Habitat to forbear for a period of time from exercising its rights and remedies against Borrower under the Loan Documents arising from the Existing Defaults to give Borrower the time to catch up the payments due under the Existing Defaults, and, subject to the specific terms and conditions set forth herein, Habitat is willing to agree to such forbearance.

### AGREEMENT

**NOW, THEREFORE**, the parties agree as follows:

**1. Forbearance.** Subject to the terms and conditions set forth herein, during the period from the date of this Agreement until the earlier of: (i) [DATE]; (ii) any default by Borrower under this Agreement; or (iii) any additional material default by Borrower under the Loan Documents (the “Forbearance Period”), Habitat will forbear from exercising its rights and remedies against Borrower under the Loan Documents arising from the Existing Defaults.

**2. Payment of Existing Defaults.** During the Forbearance Period, Borrower shall make additional monthly payments to retire the Existing Defaults as follows: \$[NUMBER] due on the same day as and in addition to regular monthly mortgage payments.

**3. Ratification of Loan Documents; No Other Amendments.** Borrower hereby ratifies, confirms and reaffirms each and every term and provision of each of the Loan Documents, and such terms and provisions shall remain in full force and effect except as modified by this Agreement.

**4. Release.** Borrower, and each of them, hereby releases Habitat and its members, officers, directors, employees, consultants and attorneys, from and against any and all claims, damages, liabilities, obligations, actions and causes of action, including claims for attorneys’ fees, whether sounding in tort, contract, equity or otherwise, whether known or unknown, whether suspected or unsuspected, and whether arising directly in favor of Borrower, or by way of assignment, subrogation, or indemnification held by

Borrower, and including without limitation all of the foregoing as may have arisen from any act, failure to act, event or state of facts occurring on or prior to the effective date of this Agreement.

5. **No Representations or Warranties by Habitat.** Except as expressly set forth herein, Habitat makes no representations, warranties, promises, or commitments to loan money, extend credit, or forbear from enforcing repayment in connection with any of the Loan Documents or transactions contemplated hereunder.

6. **Attorney's Fees.** The provisions for recovery of attorney's fees and costs upon default as contained in the Loan Documents shall be fully applicable to any default under this Agreement.

7. **Independent Counsel.** Each of the parties has read and fully understands this Agreement and has had the opportunity to consult and to be advised by independent counsel with respect to the terms hereof.

8. **Entire Agreement.** This Agreement contains the entire understanding between the parties relating to the subjects herein. This Agreement supersedes any prior negotiations, agreements, or representations, whether oral or written.

9. **NO ORAL AGREEMENTS OR COMMITMENTS. ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.**

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth above.

**Borrower:**

**Habitat:**

\_\_\_\_\_  
[NAME]

\_\_\_\_\_  
Curt Andino  
Executive Director  
South Puget Sound Habitat for Humanity

\_\_\_\_\_  
[NAME]

Exhibit C  
Sample Deed-in-Lieu Agreement

Return Address:

South Puget Sound Habitat for Humanity  
400 Cooper Point Rd SW  
Olympia, WA 98502

**STATUTORY WARRANTY DEED  
IN LIEU OF FORECLOSURE**

<b>Grantor</b>	
<b>Grantee</b>	SOUTH PUGET SOUND HABITAT FOR HUMANITY
<b>Legal Description</b> (abbreviated)	(complete legal on page 4)
<b>Assessor's Tax Parcel ID No.</b>	
<b>Reference Nos. of Related Documents</b>	

The Grantor, [NAME] ("Grantor"), for and in consideration of cancellation of that certain Promissory Note dated [DATE], in the original amount of [NUMBER] AND [FRACTION] Dollars (\$[NUMBER]) and the release of Grantor from any liability for a deficiency judgment and in lieu of foreclosure, conveys and warrants to SOUTH PUGET SOUND HABITAT FOR HUMANITY, a Washington nonprofit corporation ("Grantee"), that certain real property, situated in Thurston County, Washington, more particularly described on Exhibit A attached hereto and by this reference incorporated herein (the "Property"), subject only to easements, restrictions, reservations, or agreements and other matters of record set forth in Exhibit B attached hereto and incorporated herein by this reference (collectively the "Exceptions").

This deed and assignment is an absolute conveyance and assignment of all interests of Grantor in the Property and is executed and delivered by the Grantor in lieu of foreclosure of that Deed of Trust dated [DATE], the entire beneficial interest therein being held solely by Grantee, and recorded with the Auditor of Thurston County, Washington, under Thurston County Auditor's File No. [NUMBER] (the "Deed of Trust").

The title of the Property is hereby warranted by Grantor as against all persons, subject to the Exceptions referred to above, and Grantee agrees to accept title to the Property subject to the Exceptions. It is further warranted and covenanted by Grantor in executing this Statutory Warranty Deed in Lieu of Foreclosure (the "Deed in Lieu"), and agreed by Grantee in accepting the Deed in Lieu, as follows:

1. The consideration for the execution of this Deed in Lieu consists of the release of the Grantor from any and all personal liability under that certain Promissory Note dated [DATE], in the original amount of [NUMBER] AND [FRACTION] Dollars (\$[NUMBER]).

2. The total consideration set forth above for the execution of the Deed in Lieu is equal to or greater than the fair market value of the Property and includes the fair and reasonable value of Grantor's interest in the Property. Grantor has been unable to sell the Property for any amount greater than the secured indebtedness owing to the Grantor under the Promissory Note.

3. The Deed in Lieu is executed voluntarily by Grantor, and not pursuant to duress or threats of any kind. Furthermore, it is executed and delivered in mutual good faith between Grantor and Grantee, and is not given or intended to hinder, delay, or defraud any creditor, or to contravene any of the bankruptcy laws of the United States or any other applicable laws.

4. The Deed in Lieu is not given as security for the payment of money or indebtedness, nor as security of any kind or nature; and there is no agreement or understanding, oral or written, between Grantor and Grantee herein, or any other person, relative to a conveyance of the Property back to Grantor, or to a sale or conveyance to anyone else for the benefit of Grantor, or to any division of any proceeds realized from the Property by sale or otherwise.

5. The actual possession of the Property herein conveyed and assigned has been surrendered and delivered to Grantee and the Property and all operations thereon are under the control and direction of Grantee; and Grantor intends by this Deed in Lieu to vest the absolute and unconditional title to said Property in Grantee, and further to estop and bar Grantor, and all of Grantor's successors in interest, from having or claiming any right, title or interest of any nature whatsoever, either in law or equity, or in possession or in expectancy, in and to the Property of any part thereof. In this regard, and in reliance upon this Deed in Lieu and all of Grantor's warranties and representations made herein, Grantee shall be entitled to exercise and enjoy all of the rights, responsibilities, powers, and privileges associated with the Property at such time and on such terms as Grantee deems appropriate; paying taxes and assessments levied against the Property; and otherwise acting with respect to the Property consistent with the quiet enjoyment and ownership thereof by Grantee.

6. Grantor further warrants that no labor has been performed nor any materials delivered to the Property described herein that have not been fully paid for or in consequence of which any lien may be claimed or enforced against said Property.

7. Grantor further warrants and represents: (a) that this conveyance and assignment is freely and fairly made; (b) that Grantor is not rendered insolvent by this conveyance and assignment; and (c) that there are no agreements, oral or written, other than this Deed in Lieu between Grantor and Grantee with respect to the possession of the Property.

