**Section 366.502 Terms and Conditions of the Purchase of Loans**

a) The Authority shall purchase 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 Loans to be sold thereunder as the Authority shall require, and shall include, among others, the following warranties:

1) The mortgagor is an Eligible Borrower;

2) The 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 and is secured by a Mortgage on the Qualified Dwelling; both the note and the Mortgage are the legal, valid, and binding obligations of their makers and mortgagors and are enforceable in accordance with their terms, except only as such enforcement may be limited by laws affecting the enforcement of creditors' rights generally; and all parties to each Loan had full legal capacity to execute all Loan documents at the time of execution;

3) The Mortgage 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 such mortgage lien to all subsequent purchasers or encumbrancers;

4) The Lender, as the sole owner and holder of the Loan, has full right to sell and assign the Loan to the Authority and such assignment conveys a good and marketable mortgagee's title to the Authority 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 prior to purchase of the Loan;

5) The Mortgage creates a valid and existing first mortgage lien on the Qualified Dwelling to secure the Loan, subject to easements and other matters affecting title generally acceptable to lenders making mortgage loans in the State;

6) The Lender has not modified in any respect and has not satisfied, canceled, subordinated, or compromised in whole or in part the 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 Loan and the Mortgage securing the Loan have not been waived, altered, or modified in any respect that would materially affect the validity or enforceability of the Loan or the security of the lien of the Mortgage;

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

8) The Qualified Dwelling is covered by a valid and existing policy of hazard insurance meeting the requirements of the Authority;

9) The Lender has complied as follows:

A) as to each FHA-insured Loan, with the National Housing Act, 12 U.S.C. Section 1701 et seq., as amended and supplemented, all rules and regulations issued thereunder and all administrative publications. The FHA insurance shall be in full force and effect and, upon purchase by the Authority of the Loan, shall inure to the benefit of the Authority;

B) as to each Loan guaranteed by the USVA or RECD, with the Servicemen's Readjustment Act, 38 U.S.C. Section 1803 et seq., the Consolidated Farm and Rural Development Act, 7 U.S.C. Section 1921 et seq., Title V of the Housing Act of 1949, 42 U.S.C. Sections 1471-1482, or other applicable federal law as amended and supplemented, all rules and regulations issued thereunder and all administrative publications. Any such guaranty shall be in full force and effect and, upon purchase by the Authority of the Loan, shall inure to the benefit of the Authority; and

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

10) The Loan is covered by a fully paid mortgagee's title insurance policy in such form as the Authority may require; and

11) To the best of Lender's information, knowledge and belief, no condition exists that would prohibit the purchase of the Loan by the Authority 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 Loans sold to the Authority by the Lender if the Director, Deputy Director or Assistant 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.