

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Housing Service

SECURITY AGREEMENT
(NCDFI Relending Demonstration Program)

THIS SECURITY AGREEMENT is made this XX Day of _____ 20__, between the United States of America, acting through the Rural Housing Service (herein called Secured Party), United States Department of Agriculture and {NCDFI} whose mailing address is {Address, City, State Zip}, County of XXX, State of xxxx (herein called Debtor).

WHEREAS, Debtor is justly indebted to Secured Party as evidenced by one or more certain promissory note(s) or other instrument(s), and in the future may incur additional indebtedness to Secured Party, which will also be evidenced by one or more promissory note(s) or other instrument(s), all of which are herein called the note, dated _____, 20__, for the principal sum of _____ Dollars (\$000,000.00) with interest at the rate of one percent (1%) per annum, executed by Debtor and payable to the order of Secured Party and which authorizes acceleration of the entire indebtedness at the option of the Secured party upon any default by Debtor, and

WHEREAS, the note evidences a loan to Debtor in the principal amount specified therein, made with the purpose and intention that Secured Party, at any time, may assign the note and insure the payment thereof to any extent authorized by the Housing Act of 1949 or any other act administered by the Rural Housing Service or successor agency; and

WHEREAS, it is the purpose and intent of this instrument that, among other things, at all times when the note is held by Secured Party, or in the event Secured Party should assign this instrument without insurance of the note, this instrument shall secure payment of the note, but when the note is held by an insured lender, this instrument shall not secure payment of the note or attach to the debt evidenced thereby, but as to the note and such debt shall constitute an indemnity security agreement to secure Secured Party against loss under its insurance, endorsement by reason of any default by Debtor;

NOW, THEREFORE, in consideration of said loan and (a) at all times when the note is held by Secured Party, or in the event Secured Party should assign this instrument without insurance of the payment of the note, to secure prompt payment of the note and any renewals and extensions thereof and any agreements contained therein. (b) at all times when the note is held by an insured lender, to secure performance of Debtor's agreement herein to indemnify and hold harmless Secured Party against loss under its insurance endorsement by reason of any default by Debtor, and (c) in any event and at all times to secure the prompt payment of all advances and expenditures made by Secured Party, with interest, as hereinafter described, and the performance of every covenant and agreement of Debtor contained herein or in any supplementary agreement;

DEBTOR HEREBY GRANTS to Secured Party a security interest in Debtor's interest in the following collateral:

All the rights to and revenues of the NCDFI Relending Demonstration Program loan funds; all assets now or which in the future may be generated from the Debtor's Relending Loan Fund and/or Portfolio of investments; all security interests pledged to the Debtor by the recipients of loans from the Relending Loan Fund, including all loans and investments made by the Debtor from the Relending Loan Fund, all cash, security interests, deposit accounts, investments, mortgages, deeds of trust, collateral, accounts receivables, investment property, repayment, equipment, and other personal property now owned or hereafter acquired, including all proceeds, replacements and substitutions thereto, interest, fees, and other income or revenues, whether now existing or hereafter arising, generated in connection with the Relending Loan Fund and investments. All other assets now in or hereafter placed in the Relending Loan Fund, and the proceeds, products, and replacements of and accessions to such security acquired hereafter. In addition, a first lien position on all Debtors Relending Loan Fund depository accounts.

Disposition of such collateral outside the ordinary course of the NCDFI Relending Demonstration Program is not hereby authorized.

I. DEBTOR WARRANTS, COVENANTS, AND AGREES THAT:

A. Debtor is the absolute and exclusive owner of the above-described collateral, and such collateral is free from all liens, encumbrances, security and other interests except any existing liens, encumbrances, security or other interests in favor of Secured Party which shall remain in full force and effect, and debtor will defend the collateral against the claims and demands of all other persons.

B. Statements contained in Debtor's loan application(s) and related loan documents are true and correct, and that Debtor's name, as stated in the loan application and in this instrument, is Debtor's complete legal name; and Debtor will (1) use the loan funds for the purposes for which they are advanced, (2) comply with all Rural Housing Service loan agreements and regulations relating to the operations and management of the NCDFI Relending Loan Fund and such work plans as have been submitted to and approved by Secured Party; (3) not encumber the collateral or conceal it or permit others to do so, (4) not permit the collateral to be levied upon or its value to be impaired, (5) permit Secured Party to inspect the collateral at any reasonable time, and (6) insure the collateral in such amounts and manner as may be required by Secured Party and if Debtor fails to do so, Secured Party, at its option may procure such insurance.

C. Debtor will pay promptly when due all (1) indebtedness to Secured Party secured hereby, (2) rents, taxes, insurance premiums, levies, assessments, liens, and other encumbrances, and costs of lien searches and maintenance and other charges now or hereafter attaching to levied on, or otherwise pertaining to the collateral or this security interest, (3) filing or recording fees for instruments necessary to perfect, continue, service, or terminate this security interest, and (4) fees for inspection and appraisal and delinquency charges now or hereafter required by regulations of the Rural Housing Service. At all times when the note is held by an insured lender, Debtor shall continue to make payments on the note to Secured Party, as collection agent for the holder of the note.

D. Debtor will indemnify and hold harmless Secured Party against any loss under insurance of payment of the note by reason of any default by Debtor.

E. At all times when the note is held by an insured lender, any amount due and unpaid under the terms of the note, less the amount of the annual charge, may be paid by Secured Party to the holder of the note as provided in the note and insurance endorsement for the account of Debtor. Any amount due and unpaid under the terms of the note, whether it is held by Secured Party or by an insured lender, may be credited by Secured Party on the note and thereupon shall constitute an advance by Secured Party for the account of Debtor. Any advance by Secured Party as described in this paragraph shall bear interest at the note rate from the date on which the amount of the advance was due to the date of payment to Secured Party.

F. Whether or not the note is insured by Secured Party, Secured Party may at any time pay any other amounts required herein to be paid by Debtor and not paid by it when due, including any costs and expenses for the preservation or protection of the collateral or this security interest, as advances for the account of Debtor. All such advances shall bear interest at the note rate until paid to Secured Party.

G. All advances by Secured Party as described in this instrument, with interest, shall be immediately due and payable by Debtor to Secured Party without demand at the place designated in the note and shall be secured hereby. No such advances by Secured Party shall relieve Debtor from breach of its covenant to pay. Such advances, with interest, shall be repaid from the first available collections received from Debtor. Otherwise, any payment made by Debtor may be applied on the note or any indebtedness to Secured Party secured hereby, in any order Secured Party determines.

H. Secured Party is hereby authorized to file financing statements describing the collateral, to file amendments to the financing statements, and to file continuation statements.

I. To secure or better secure the referenced obligations or indebtedness, Debtor will execute and deliver to Secured Party at any time upon demand, such additional security instruments on such real and personal property as Secured Party may require, and take any further action reasonably requested by Secured Party to evidence or perfect the security interest granted herein or to effectuate the rights granted to Secured Party herein.

J. Debtor will immediately notify Secured Party of any material change in the collateral, change in Debtor's name, address or location, change in any warranty or representation in this instrument, change that may affect this security interest or its perfection, and any event of default.

II. IT IS FURTHER AGREED THAT:

A. Until default Debtor may retain possession of the collateral.

B. Default shall exist hereunder if Debtor fails to perform or discharge any obligation or to pay promptly any indebtedness hereby secured or to observe or perform any covenants or agreements contained in this or in any supplementary agreement, or if any of Debtor's representations or warranties herein prove false or misleading or upon the dissolution, bankruptcy, insolvency, or incompetency of Debtor. Upon any such default:

1. Secured Party, at its option, with or without notice as permitted by law, may declare the unpaid balance on the note and any indebtedness secured hereby immediately due and payable, enter upon the premises and take possession of, repair, improve, use, and operate the collateral or make equipment unusable, for the purpose of protecting or preserving the collateral or this lien or preparing or processing the collateral for sale, and exercise any sale or other rights accorded by law. **Secured Party may disclaim all warranties relating to title, possession, quiet enjoyment, merchantability, fitness for a particular purpose, or the like, in any disposition of the collateral.**
2. Debtor hereby agrees to assemble the collateral and make it available to Secured Party at such time(s) and place(s) as designated by Secured Party and waives all notices, exemptions, compulsory disposition, and redemption rights.
3. A default shall exist under any other security instrument held or insured by Secured Party and executed or assumed by Debtor on real or personal property. Likewise, default under any such other security instrument shall constitute default hereunder.

C. Proceeds from disposition of collateral shall be applied first on expenses of retaking, holding, preparing for sale, selling and the like, and for payment of reasonable attorneys' fees and legal expenses incurred by Secured Party, second to the satisfaction of indebtedness secured hereby, third to the satisfaction of subordinate security interests to the extent required by law, fourth to any other obligations or Debtor owing to or insured by Secured Party, and fifth to Debtor. Any proceeds collected under insurance policies shall be applied first on advances and expenditures made by Secured Party with interest as provided above, second on the debt evidenced by the note, unless Secured Party consents in writing to their use by Debtor under Secured Party's direction for repair or replacement of collateral, third on any other obligation of Debtor owing to or insured by Secured Party, and any balance shall be paid to Debtor unless otherwise provided in the insurance contract. Debtor will be liable for any deficiency owed Secured Party after such disposition of proceeds or the collateral and insurance.

D. It is the intent of Debtor and Secured Party that to the extent permitted by law and for the purpose of this Agreement, no collateral covered hereby is or shall become realty or accessioned to other goods.

E. If any provision of this Agreement is held invalid or unenforceable, it shall not affect any other provision hereof, but this Agreement shall be construed as if it had never contained such invalid or unenforceable provision. Furthermore, in lieu of such invalid or unenforceable provision, there will be added automatically as part of this Agreement a provision as similar in form to such invalid or unenforceable provision as may be legal, valid, and enforceable.

F. The rights and privileges of Secured Party under this Agreement shall inure to the benefit of its successors and assigns. All covenants, warranties, representations, and agreements of Debtors contained in this Agreement are joined and shall bind its representatives, successors, and assigns.

G. Secured Party shall have the sole and exclusive rights as the Secured Party hereunder, including but not limited to the power to grant or issue any consent, release, subordination, continuation statement or termination statement, and no insured lender shall have any right, title, or interest in or to the security interest created by this Agreement or any benefits hereof.

H. SECURED PARTY HAS INFORMED DEBTOR THAT UNAUTHORIZED DISPOSITION OF PROPERTY COVERED BY THIS SECURITY AGREEMENT, OR MAKING OF ANY FALSE STATEMENT IN THIS AGREEMENT OR ANY OTHER LOAN DOCUMENTS, MAY CONSTITUTE A VIOLATION OF FEDERAL CRIMINAL LAW.

I. Failure by the Secured Party to exercise any right, whether once or often, shall not be construed as a waiver of any covenant or condition or of the breach of such covenant or condition. Such failure shall also not affect the exercise of such right, without notice upon any subsequent breach of the same or any other covenant or condition.

J. This instrument is subject to the present regulations of the Secured Party and to its future regulations not inconsistent with the express provisions of this instrument.

BY: _____

TITLE: _____

DATE: _____

(SEAL)

ATTEST BY: _____

TITLE: _____

DATE: _____

