

THE CITY OF PERRIS, CALIFORNIA )  
HOUSING DIVISION )  
135 N. "D" Street )  
Perris, California 92570 )  
Attn: SRP Program Administrator )  
Loan: )

---

SUBORDINATION AGREEMENT  
(DEED OF TRUST)

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE REAL PROPERTY DESCRIBED HEREIN BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

THIS SUBORDINATION AGREEMENT (this "Agreement") is entered into as of \_\_\_\_\_, by \_\_\_\_\_ and \_\_\_\_\_ among \_\_\_\_\_, the owner(s) of the real property described below (collectively, "Owner"), the **City of Perris**, the present owner and holder of the Agency Deed of Trust and Promissory Note first identified below ("Beneficiary"), and \_\_\_\_\_ ("Bank").

RECITALS

A. Owner executed a deed of trust dated as date of their deed, to \_\_\_\_\_, as Trustee, and for the benefit of Beneficiary (the "Agency Deed of Trust"), to secure a promissory note, credit agreement, confirmation letter, disclosure or other evidence of debt (the "Promissory Note") dated as of \_\_\_\_\_, in the principal amount of \_\_\_\_\_ dollars (\$\_\_\_\_\_) and payable to the City of Perris, or order, which Agency Deed of Trust was recorded on \_\_\_\_\_, as Instrument (Serial) No. \_\_\_\_\_ of the Official Records of Riverside County, State of California, and covers the real property described on **Exhibit A** attached hereto and incorporated herein by this reference (the "Property").

B. Bank has made, or will hereafter make, a loan to Owner in the principal amount of \_\_\_\_\_ (the "Bank Loan") which is or will be evidenced by an "Agreement" dated as of \_\_\_\_\_, payable to the order of Bank with interest and upon the terms and conditions described therein, and which is or will be secured by a deed of trust covering the Property (the "Bank Deed of Trust").

C. As a condition to Bank making, or continuing to extend credit under, the Bank Loan, Bank requires that the security of the Bank Deed of Trust therefor be unconditionally and at all times remain a lien or charge on the Property prior and superior to the lien or charge of the Agency Deed of Trust thereon, and that Beneficiary specifically and unconditionally

subordinates the lien or charge of the Agency Deed of Trust to the lien or charge of the Bank Deed of Trust.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agrees as follows:

1. SUBORDINATION.

(a) The Bank Deed of Trust and any and all extensions, renewals, modifications or replacements thereof and/or of the promissory note evidencing the Bank Loan and secured thereby, shall be and at all times remain a lien or charge on the Property prior and superior to the lien or charge of the Agency Deed of Trust.

(b) Beneficiary acknowledges that Bank would not make, or continue to extend credit under, the Bank Loan without this Agreement.

(c) Beneficiary intentionally and unconditionally waives, relinquishes and subordinates the priority and superiority of the lien or charge of the Agency Deed of Trust to the lien or charge on the Property of the Bank Deed of Trust, and Beneficiary understands that in reliance upon and in consideration of this waiver, relinquishment and subordination, specific loans and advances are being and will be made by Bank and, as a part and parcel thereof, specific monetary and other obligations are being entered into which would not be made or entered into but for said reliance upon this waiver, relinquishment and subordination.

(d) Upon the recordation of this Agreement, the Agency Deed of Trust shall be subordinate to the lien or charge of the Bank Deed of Trust.

(e) Beneficiary acknowledges that it has such information with respect to the Bank Loan, and all of the loan documents executed in connection therewith, including without limitation the above-described promissory note, as Beneficiary deems necessary in order to make the subordination provided herein. Beneficiary further agrees that Bank, in making disbursements under the Bank Loan, is under no obligation or duty to, nor has Bank represented that it will, see to the application of such proceeds by the person or persons to whom Bank distributes such proceeds, and any application or use of such proceeds for purposes other than those for which they were intended shall not defeat the subordination contained herein in whole or in part.

(f) In consideration of Beneficiary's covenants and agreements contained in this Agreement, Bank hereby covenants and agrees, notwithstanding any contrary provisions herein, for the benefit of Beneficiary as follows:

(1) In the event of any default by Owner of any or all of its obligations with respect to the repayment by Owner of the Bank Loan or any default under the Bank Loan or Bank Deed of Trust, Bank covenants and agrees that Bank shall provide written notice (which may be provided by statutory notice of default, and need not be given thereafter or in addition thereto) of said default to the Beneficiary contemporaneously with Owner's receipt of the same. Such notice

shall be delivered to the Beneficiary within thirty (30) days after the date that Borrower fails to pay any amount due under the Bank Loan. Beneficiary shall have the right, but not the duty, to cure such default within the greater of (i) ninety (90) days following Beneficiary's receipt of the written notice, or (ii) any period provided by California law.

(2) In the event that prior to the foreclosure of the Bank Loan, Beneficiary acquires title to or possession of the Property from Owner pursuant to any provision hereof or of the obligations secured by the Agency Deed of Trust or documents executed pursuant thereto, whether by voluntary or involuntary transfer, Beneficiary may take title to the Property subject to the Bank Loan and Bank Deed of Trust, and Bank shall refrain from exercising any right it may have to accelerate the Bank Loan by reason of the transfer of title to the Beneficiary. Bank shall recognize Beneficiary as Owner, on condition that Beneficiary assumes and agrees to perform all of Owner's obligations under the Bank Loan and timely cures all outstanding defaults of Owner under the Bank Loan within the period provided for in Subparagraph (1) above.

(3) Bank agrees to negotiate in good faith with Beneficiary in the event that Owner defaults under either Bank Loan or the Agency Deed of Trust and obligations secured thereby; provided, however, that nothing in this subparagraph shall obligate the parties to reach an agreement upon the conclusion or termination of negotiations, or to extend the time granted to Owner under the Bank Loan or Beneficiary under Subparagraph (1) above to cure defaults under the Bank Loan.

(4) Upon a default of Owner under the Beneficiary Loan and Agency Deed of Trust and obligations secured thereby, which default remains uncured for a period of six (6) months, Bank shall, at any time prior to its acquisition of title to the Property, permit the Beneficiary to purchase the Bank Loan and the Bank Deed of Trust upon payment in cash of the then entire remaining balance of principal, accrued and unpaid interest, together with any unpaid late charges, and other expenses to which Bank has been put and any advances made by Bank for the protection of the lien or the protection of the Property.

(5) For a period of thirty (30) days after Bank has acquired title to the Property, Bank shall permit the Beneficiary to acquire Bank's title to the Property upon payment to Bank, in cash, of the sum of the following:

(i) The unpaid debt including unpaid interest at the time title became vested in Bank (less all receipts of Bank in connection with the Property including, but not limited to, those resulting from collection and application of rentals and other income received during foreclosure proceedings), but excluding any fees paid to Bank for services rendered before the time title becomes vested in Bank;

(ii) All expenses incurred by Bank with respect to foreclosure;

(iii) The net expenses, if any (exclusive of general overhead), incurred by Bank as a direct result of the management of the Property after the time title became vested in Bank;

(iv) The costs of any improvement to the Property made by Bank which was permitted by the Agency Deed of Trust and obligations secured thereby; and

(v) An amount equivalent to the interest that would have accrued on the aggregate of such amounts had all such amounts become part of the indebtedness of Owner and such indebtedness had continued in existence from the time title became vested in Bank, or in the case of Subparagraphs (5)(ii),(5)(iii) and (5)(iv) above, from the date the expenses were incurred by Bank to the date of payment by the Beneficiary.

(g) This Agreement constitutes the whole and only agreement between the parties hereto with regard to the subordination of the lien or charge of the Agency Deed of Trust to the lien or charge of the Bank Deed of Trust; there are no agreements (written or oral) outside or separate from this Agreement with respect to the subject matter hereof; and all prior negotiations with respect thereto, if any, are merged into this Agreement. This Agreement shall supersede and cancel, but only insofar as would affect the priority between the Agency Deed of Trust and the Bank Deed of Trust, any prior agreements as to such subordination, including without limitation, those provisions, if any, contained in the Agency Deed of Trust which provide for the subordination of the lien of the Agency Deed of Trust to the lien of a deed of trust or mortgage affecting the whole or any part of the Property.

## 2. MISCELLANEOUS.

(a) **Notices.** All notices, requests and demands which any party is required or may desire to give to any other party under any provision of this Agreement must be in writing delivered to each party at the address set forth below its signature, or to such other address as any party may designate by written notice to all other parties. Each such notice, request and demand shall be deemed given or made as follows: (i) if sent by hand delivery, upon delivery; (ii) if sent by mail, upon the earlier of the date of receipt or three (3) days after deposit in the U.S. mail, first class and postage prepaid; and (iii) if sent by telecopy, upon receipt.

(b) **Costs, Expenses and Attorneys' Fees.** If any party hereto institutes any arbitration or judicial or administrative action or proceeding to enforce any provisions of this Agreement, or alleging any breach of any provision hereof or seeking damages or any remedy, the losing party or parties shall pay to the prevailing party or parties all costs and expenses, including reasonable attorneys' fees.

(c) **Further Assurances.** At the request of any party hereto, each other party shall execute, acknowledge and deliver such other documents and/or instruments as may be reasonably required by the requesting party in order to carry out the purpose of this

Agreement, provided that no such document or instrument shall modify the rights and obligations of the parties provided herein.

(d) **Successors; Assigns; Amendment.** This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties. This Agreement may be amended or modified only in writing signed by all parties hereto.

(e) **Severability of Provisions.** If any provision of this Agreement shall be held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such waiver or other provision or any remaining provisions of this Agreement.

(f) **Final Agreement.** This Agreement supersedes all prior negotiations, communications, discussions, and correspondence concerning these matters. It may be amended or modified only by a written instrument signed by the parties hereto.

(g) **Counterpart.** This document may be executed in any number of separate counterparts, each of which shall be an original but all of which shall constitute one and the same agreement.

(h) **Fax.** An electronic transmission or other facsimile of this signed document shall be deemed an original and shall be admissible as evidence of the signed original.

(i) **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of California.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

OWNER:

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

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

Address:

NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH MAY ALLOW THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND.

BENEFICIARY:

**OTHER LIEN HOLDER**

THE CITY OF PERRIS, CALIFORNIA, A  
PUBLIC BODY, CORPORATE AND POLITIC

By \_\_\_\_\_  
Darren Madkin, Deputy City Manager

Address:

**The City of Perris**  
Attn: Housing Division  
101 North "D" Street  
Perris, CA 92570

NOTARY ACKNOWLEDGMENTS

STATE OF CALIFORNIA )  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_,  
personally appeared \_\_\_\_\_  
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are  
subscribed to the within instrument and acknowledged to me that he/she/they executed the same  
in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument  
the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the  
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_

NOTARY ACKNOWLEDGMENTS

STATE OF CALIFORNIA )  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_,  
personally appeared \_\_\_\_\_  
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are  
subscribed to the within instrument and acknowledged to me that he/she/they executed the same  
in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument  
the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the  
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_

**EXHIBIT A**

**TO SUBORDINATION AGREEMENT  
(MORTGAGE/DEED OF TRUST)**

Legal Description of Property: