

HOUSING FINANCE CORPORATION PARTICIPATION AGREEMENT

THE SOUTHEAST TEXAS HOUSING FINANCE CORPORATION 5 STAR TEXAS ADVANTAGE PROGRAM

THIS HOUSING FINANCE CORPORATION PARTICIPATION AGREEMENT dated as of the date indicated on the signature page hereto (this "*Agreement*") is entered into by and between The Southeast Texas Housing Finance Corporation ("*SETH*") and the housing finance corporation indicated on the signature page hereto (the "*Participating HFC*") in connection with SETH's 5 Star Texas Advantage Program (the "*Program*").

WHEREAS, SETH has authorized the Program to finance mortgage loans (the "*Mortgage Loans*") and down payment assistance to qualifying borrowers (the "*Borrowers*") within the State of Texas; and

WHEREAS, pursuant to the Program, (a) participating lenders will originate the Mortgage Loans and sell the Mortgage Loans to U.S. Bank National Association, as master servicer (the "*Master Servicer*"), (b) the Master Servicer will service the Mortgage Loans and pool the Mortgage Loans into GNMA securities and (c) the Master Servicer will sell the GNMA securities to BOKF, N.A. dba Bank of Texas, as custodial agent for George K. Baum & Company ("*GKB*") (such sale referred to herein as the "*GNMA Sale*").

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, SETH and the Participating HFC agree as follows:

Section 1. Program Participation. The Participating HFC, serving low and moderate income borrowers in the geographical area described in *Exhibit A* hereto (the "*Participating HFC Jurisdiction*"), acknowledges its participation in the Program and hereby acknowledges that Mortgage Loans may be issued to Borrowers within the Participating HFC Jurisdiction pursuant to the terms of the Program.

Section 2. Participation Fee. SETH hereby agrees that for each Mortgage Loan made pursuant to the Program within the Participating HFC Jurisdiction (the "*Participating HFC Mortgage Loan*"), the Participating HFC will be entitled to a fee equal to .30% of the principal amount of each Participating HFC Mortgage Loan (the "*Participation Fee*"). The Participation Fee will be paid directly by SETH after the GNMA Sale relating to the Participant HFC Mortgage Loans.

Section 3. Amendment. This Agreement shall not be amended or otherwise modified except with the written consent of the parties hereto.

Section 4. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without regard to conflict of law principles.

Section 5. Severability. If one or more provisions of this Agreement, or the applicability of any such provisions for any set of circumstances shall be determined to be invalid or ineffective for any reason, such determination shall not affect the validity and enforceability of the remaining provisions of this Agreement or the applicability of the provisions found to be invalid or ineffective for a specific set of circumstances to other circumstances.

This Agreement may be cancelled by either party with a 30-day termination notice to the other party.

Section 6. Counterparts. This Agreement may be executed in counterparts by the parties hereto, and each such counterpart shall be considered an original and all such counterparts shall constitute one and the same instrument.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, SETH and the Participating HFC have caused this Agreement to be executed by their respective duly authorized officers, all as of the date and year first above written.

Dated: _____

THE SOUTHEAST TEXAS HOUSING FINANCE CORPORATION

By: _____
Name: Ron Williams
Title: Executive Director

McKinney Housing Finance Corporation

By: _____
Name: _____
Title: _____

EXHIBIT A

PARTICIPATING HFC JURISDICTION

LIST AREAS

City of McKinney, Texas

Wiring Instructions: