

**SEAL BEACH MUTUAL NO. FOUR****Mutual Operations/Contractual Obligations****Regulatory Agreement****1. LEGAL BASIS**

1.1. The Regulatory Agreement (FHA Form 3225) is an agreement between a Mutual (Mortgagor) and the Federal Housing Commissioner. In order to obtain mortgage insurance pursuant to Section 213 of Title II of the National Housing Act, and obtain the endorsement of Commissioner on the note, a Mortgagor must consent to be regulated and restricted by the terms of a Regulatory Agreement.

**2. BASIC TERMS**

- 2.1. Mutual to make all mortgage payments promptly.
- 2.2. Mutual to maintain a fund for replacements (see Replacement Fund).
- 2.3. Mutual to establish and maintain a General Operating Reserve (see Operating Reserve).
- 2.4. Mutual to establish and collect monthly carrying charges in accordance with a schedule filed with and approved by FHA.
- 2.5. Prior written approval of FHA required for Mutual to:
- 2.5.1. Sell, assign, transfer, dispose of or encumber any real or personal property.
- 2.5.2. Remodel, reconstruct, demolish, or subtract from the premises.
- 2.5.3. Permit occupancy of any dwelling except at charges fixed by the schedule of charges.
- 2.5.4. Permit occupancy of a dwelling except by members of the corporation.
- 2.5.5. Consolidate, merge, or go into voluntary liquidation.
- 2.5.6. Fail to establish and maintain the Replacement and General Operating Fund.
- 2.5.7. Incur liabilities which will at any time exceed 1% of the insured mortgage amount.
- 2.5.8. Fail to provide for the management in a manner approved by the Commissioner.
- 2.5.9. Invest any funds of the corporation in any property, real, personal, or mixed, except obligations of, or fully guaranteed as to principal by, the United States of America.
- 2.6. Mutual shall not pay any compensation to its officers, directors, or stockholders. No officer, director, stockholder, agent, or employee of the Mortgagor shall in any manner become indebted to the Mortgagor, except on account of approved occupancy charges.
- 2.7. Mortgagor shall maintain its project, the grounds, buildings, and equipment appurtenant thereto, in good repair and in such condition as will preserve the health and safety of its occupants.

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- 42           **2.8.**    The Mortgagor, its property, equipment, buildings, plans, office, apparatus,  
43                    devices, books, contracts, records, documents, and papers shall be subject to  
44                    inspection and examination by the Commissioner or his duly authorized agent at  
45                    all reasonable times.
- 46           **2.9.**    The books and accounts of the Mortgagor shall be kept in accordance with the  
47                    Uniform System of Accounting prescribed by the Commissioner. The Mortgagor  
48                    shall file with the Commissioner and the Mortgagee the following reports verified  
49                    by the signature of such officers of the Mortgagor as may be designated and, in  
50                    such form, as may be prescribed by the Commissioner:
- 51                    **2.9.1.**    Monthly or quarterly operating reports when required by the  
52                                    Commissioner.
- 53                    **2.9.2.**    Semi-annual financial statement within 60 days after the semi-annual  
54                                    period when required by the Commissioner.
- 55                    **2.9.3.**    Annual reports prepared by a certified public accountant or other  
56                                    person acceptable to the Commissioner within 60 days after the end  
57                                    of each fiscal year.
- 58                    **2.9.4.**    Specific answers to questions upon which information is desired from  
59                                    time to time relative to the operation and condition of the property and  
60                                    the status of the Mortgage.
- 61                    **2.9.5.**    Copies of minutes of all stockholders' meetings certified by the  
62                                    secretary of the Mortgagor within 30 days after such meetings, and  
63                                    when required by the Commissioner, copies of minutes of directors'  
64                                    meetings.
- 65           **2.10.**    The Mortgagor shall not execute or file for record any instrument which imposes  
66                    a restriction upon the sale, leasing or occupancy of the property subject to the  
67                    insured mortgage, or any part thereof, based on race, color or creed.
- 68           **2.11.**    No litigation seeking the recovery of a sum in excess of \$3,000 nor any action  
69                    for specific performance or other equitable relief shall be instituted nor shall any  
70                    claim for a sum in excess of \$3,000 be settled or compromised by the Mortgagor  
71                    unless prior written consent thereto has been obtained from the Commissioner.  
72                    Such consent may be subject to such terms and conditions as the Commissioner  
73                    may prescribe.
- 74           **2.12.**    The Mortgagor agrees to observe and perform each and every one of the  
75                    covenants and provisions required to be observed and performed under or  
76                    pursuant to the terms of the Mortgage.
- 77           **2.13.**    The Mortgagor shall not file any petition in bankruptcy, or for a receiver, or in  
78                    insolvency, or for reorganization or composition, or make any assignment for the  
79                    benefit of creditors or to a trustee for creditors, or permit an adjudication in  
80                    bankruptcy, or the taking possession of the mortgaged property or any part  
81                    thereof by a receiver, or the seizure and sale of the mortgaged property or any

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82 part thereof under judicial process or pursuant to any power of sale.

83 **2.14.** Upon a violation of any of the above provisions of this Agreement by the  
 84 Mortgagor, the Commissioner may give written notice thereof to the Mortgagor,  
 85 by registered or certified mail, addressed to the addressees stated in this  
 86 Agreement. If such violation is not corrected to the satisfaction of the  
 87 Commissioner within 15 days after the date such notice is mailed, or within such  
 88 additional period of time as is set forth in the notice, or where the Mortgagor  
 89 proceeds immediately and diligently, within such further time as the  
 90 Commissioner determines is necessary to correct the violation, without further  
 91 notice the Commissioner may declare a default under this Agreement.

92 **2.15.** As security for the payment due under this Agreement for the Reserve Fund for  
 93 Replacements, and to secure the Commissioner because of his liability under  
 94 the endorsement of the Note for insurance, and as security for the other  
 95 obligations under this Agreement, the Mortgagor assigns, pledges and  
 96 mortgages to the Commissioner its rights to the rents, profits, income and  
 97 charges of whatever sort which it may receive or be entitled to receive from the  
 98 operation of the mortgaged property, subject, however, to any assignment of  
 99 rents in the insured mortgage referred to herein; provided, however, that  
 100 permission is granted to the Mortgagor to collect and retain under the provisions  
 101 of this Agreement the rent, profits, income and charges, during any such period  
 102 or periods of time for which the Commissioner has not declared a default. Upon  
 103 declaration by the Commissioner of a default, the said permission is terminated  
 104 and shall not be deemed to be reinstated until the Commissioner has declared  
 105 the default to be cured.

106 **2.16.** Mortgagor agrees that there shall be full compliance with the provisions of (1)  
 107 any state or local laws prohibiting discrimination in housing on the basis of race,  
 108 color, creed or national origin, and (2) with the Regulations of the Federal  
 109 Housing Administration providing for non-discrimination and equal opportunity in  
 110 housing. It is understood and agreed that failure or refusal to comply with any  
 111 such provisions shall be a proper basis for the Commissioner to take any  
 112 corrective action he may deem necessary including, but not limited to, the  
 113 rejection of future applications for FHA mortgage insurance and the refusal to  
 114 enter into future contracts of any kind with which the Mortgagor is identified, and  
 115 further, if the Mortgagor is a corporation or any other type of business association  
 116 or organization which may fail or refuse to comply with the aforementioned  
 117 provisions, the Commissioner shall have a similar right of corrective action (1)  
 118 with respect to any individuals who are officers, directors, trustees, managers,  
 119 partners, associates, or stockholders of the Mortgagor, and (2) with respect to  
 120 any corporation or any other type of business association or organization with  
 121 which the officers, directors, trustees, managers, partners, associates or  
 122 stockholders of the Mortgagor may be identified.

123 **2.17.** The covenants and agreements herein set out shall be deemed to run with the

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124 land herein described so long as there is a mortgage on said property insured or  
 125 owned by the Commissioner and to bind any future purchasers of the real  
 126 property or any part thereof.

127 **2.18.** This instrument shall bind, and the benefits shall inure to, the respective parties  
 128 hereto, their legal representatives, executors, administrators, successors in  
 129 office or interest, and assigns.

130 **2.19.** The invalidity of any clause, part or provision of this Agreement shall not affect  
 131 the validity of any the remaining portions thereof.

132 **2.20.** The Mortgagor agrees and assumes the obligation to have this Agreement  
 133 recorded in the appropriate land records in the jurisdiction in which the real  
 134 property herein described is situated; and in the event of failure to do so, it is  
 135 agreed that the Commissioner may have the same recorded at the expense of  
 136 the Mortgagor.

137 **2.21.** It is specifically agreed between the parties hereto that the breach of any of the  
 138 terms of this Agreement by the Mortgagor will substantially damage and injure  
 139 the Commissioner in the proper performance of his duties under the provisions  
 140 of the Act, and will impede and injure the proper operations intended under such  
 141 Act; that such damage will be irrespective of and in addition to any damage to  
 142 the security of the mortgaged premises or to any financial damage the  
 143 Commissioner may suffer as insurer; that, except for the agreements herein  
 144 contained, the Commissioner would not issue and would not be authorized to  
 145 issue his Contract of Mortgage Insurance, and that the Mortgagee would not lend  
 146 the sum above-mentioned on the security of the said Mortgage unless the same  
 147 were insured by the Commissioner.  
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**Document History**

Adopted: All Mutuals  
 Adopted at  
 Same Time

**Keywords:** Mutual Four Regulatory Agreement

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