LOAN POLICY AGREEMENT

BETWEEN

PERPETUAL FEDERAL SAVINGS AND LOAN ASSOCIATION, WASHINGTON, D.C.

AND

ADAMS MORGAN ORGANIZATION, WASHINGTON, D.C.

ADAMS MORGAN ADVISORY NEIGHBORHOOD COMMISSION, WASHINGTON, D.C.

MOUNT PLEASANT ADVISORY NEIGHBORHOOD COMMISSION, WASHINGTON, D.C.

COUNCIL OF HISPANIC AGENCIES

AND COMMUNITY GROUPS, WASHINGTON, D.C.

Preamble

The parties to this Agreement share a common belief that Adams Morgan and Mount Pleasant should be maintained as socially and economically diverse neighborhoods. In furtherance of this common goal, the parties to this Agreement shall work together to provide home financing opportunities to the lower and moderate income and minority residents of these neighborhoods. This Agreement shall apply to the area represented by the Adams Morgan Organization, the Adams Morgan Advisory Neighborhood Commission, and the Mount Pleasant Advisory Neighborhood Commission. This area is referred to as the Agreement Area. This Agreement does not limit Perpetual's authority to extend loans not specified in the Agreement. Whenever the terms of this Agreement become inconsistent with regulations of the federal government, this Agreement shall be automatically modified to conform with such regulations.

Section A. Conventional Mortgage Loans

1. Mortgage loans to owner-occupants of 1-4 family homes and condominium units:

Perpetual agrees to make the conventional mortgage loans specified below to any credit-worthy resident of the Agreement Area on owner-occupied 1-4 family homes and condominium units located in the Agreement Area:

a. Mortgage loans at 90 percent of value with private mortgage insurance to purchase single family homes priced at $45,000 or less and condominium units priced at $30,000 or less where the condominium project is financially and structurally sound.

b. Mortgage loans to both purchase and rehabilitate single family homes and individual condominium units. (Purchase-rehabilitation loans). The purchase price of the home shall be $45,000 or less in the case of single family homes and $30,000 or less in the case of condominium units. The improved value of the property shall be no greater than $60,000 in the case of single family homes, and $40,000 in the case of condominium units. The mortgage loans shall be 90 percent of improved value with private mortgage insurance.

c. Mortgage loans at 80 percent of improved value without private mortgage insurance to purchase or to both purchase and rehabilitate single family homes or condominium units qualifying under provisions a and b above.

d. Mortgage loans at 80 percent of improved value to purchase or to both purchase and rehabilitate 2-4 family homes priced at $65,000 or less. The rehabilitation portion of such loans shall be no greater than $30,000.

e. Refinancing of outstanding mortgage loans at 90 percent of improved value with private mortgage insurance to provide rehabilitation funds. The improved value of the home shall not exceed $60,000 for single family homes, $95,000 for 2-4 family homes, or $40,000 for condominium units.

2. Mortgage loans on co-operative housing projects:

Perpetual agrees to make the conventional mortgage loans specified below to credit-worthy non-profit corporations for the purchase, or purchase and rehabilitation, of multi-family dwellings located in the Agreement Area and owned or to be owned on a co-operative basis (co-operative projects). Perpetual also agrees to refinance outstanding Perpetual mortgage loans on such co-operative projects. To qualify under this section a co-operative project must be one in which 80 percent or more of the units will have an improved value of $40,000 or less.

a. Where units representing at least 75 percent but less than 90 percent of a co-operative project's value are presold, Perpetual shall provide project mortgage loans at 80 percent of improved value.

b. Where units representing 90 percent or more of a co-operative project's value are presold, Perpetual shall provide project mortgage loans at 90 percent of improved value with private mortgage insurance.

Where a project mortgage loan will be used to finance a conversion from multi-family rental tenure to co-operative ownership, 70 percent of the building's tenants must consent to the conversion and 50 percent of the tenants must receive units after conversion.

3. Conventional mortgage loan terms.

Perpetual agrees to provide the conventional mortgage loans specified in this section at interest rates no greater than those available to Perpetual's other borrowers. Perpetual also agrees to provide and to refinance the mortgage loans specified in this section with the same maturity periods available to Perpetual's other borrowers in cases where a 1-4 family home, condominium unit, or co-operative project has a sound structure. Property securing mortgage loans specified in this section shall be valued at either market price or the price of comparable property.

Section B. Credit-Worthiness Standards for Conventional Mortgage Loans

Perpetual agrees to employ the following criteria in determining the credit-worthiness of an applicant seeking a conventional mortgage loan under Section A of this Agreement.

1. All income of the applicant and applicant's spouse -- including income from overtime and part-time employment -- that is reasonably stable and will most likely continue shall be included as part of effective gross income.

2. Labor performed by a borrower to improve realty securing a loan shall to the extent that it increases the value of the property be considered as the equivalent of a cash investment for the purpose of calculating loan to value ratios.

3. In cases where the applicant's credit history is limited, the applicant's rental payment and employment record shall be used in lieu of a credit history.

4. Perpetual shall make loans to an applicant with a satisfactory credit record if the applicant's total payment on debt obligations and housing expenses conforms to the norms accepted by the Federal National Mortgage Association.

Section C. FHA/VA Insured and Assisted Mortgage Loans

Mortgage loans to owner occupants of 1-4 family homes and condominium units, to low and moderate income housing developers, and to co-operative housing projects.

Perpetual agrees to either make the FHA/VA insured and assisted mortgage loans specified below or to refer inquiries regarding such loans to mortgage brokers, mortgage bankers, or other financial institutions and, after the closing of such loans by the brokers, bankers, or financial institutions, to purchase at prevailing market rates such loans from the brokers, bankers, or financial institutions for Perpetual's own mortgage portfolio. Perpetual agrees to make (or purchase) such mortgage loans to Agreement Area residents, low and moderate income housing developers qualifying under FHA/VA eligibility standards, and non-profit corporations for co-operative housing qualifying under FHA/VA eligibility standards, on properties located in the Agreement Area. Perpetual shall be willing to make or purchase such mortgage loans at the maximum allowable loan amounts, loan to value ratios, and maturity periods.

1. Mortgage loans insured under FHA Program 203(b) to residents to purchase or both purchase and rehabilitate 1-4 family homes.

2. Mortgage loans insured under FHA Program 203 to developers to purchase and substantially rehabilitate single family homes that will be sold to residents with mortgage financing under FHA Program 235.

3. Mortgage loans insured and assisted under FHA Program 235 to residents to purchase substantially rehabilitated single family homes.

4. Mortgage loans guaranteed under VA Programs to residents to purchase one to four family homes.

5. Mortgage loans insured under FHA Program 234 to residents to purchase individual condominium units.

6. Mortgage loans insured under FHA Program 234 to developers to purchase and substantially rehabilitate multi-family rental projects for conversion to condominium ownership. Such condominium

projects must include low and moderate income housing units. At least 70 percent of building's tenants must consent to the conversion and at least 50 percent of the tenants must receive units after conversion. Where possible, at least 30 percent of the units must be reserved for Agreement Area residents obtaining permanent financing and assistance under FHA Program 235.

7. Mortgage loans insured and assisted under FHA Program 235 to residents to purchase substantially rehabilitated condominium units.

8. Mortgage loans insured under FHA Program 213 to non-profit corporations qualifying under FHA/VA eligibility standards to purchase, rehabilitate, or both purchase and rehabilitate multi-family dwellings located in the Agreement Area and owned or to be owned on a co-operative basis. Where such a mortgage loan will be used to finance the conversion of a multi-family dwelling from rental tenure to co-operative ownership, 70 percent of the building's tenants must consent to the conversion and 50 percent of the tenants must receive units after conversion.

Section D. Mortgage Lending Priorities During Periods of Limited Funds

During periods in which Perpetual has limited funds available for mortgage lending, Perpetual shall continue to provide the conventional mortgage loans on 1-4 family homes and condominium units specified in Section A(1) of this Agreement to individuals who are Perpetual depositors and the conventional and FHA insured mortgage loans on co-operative housing projects specified in Section A(2) and Section C(8) of this Agreement to co-operative housing projects in which at least 50 percent of the residents will be Perpetual depositors. Perpetual shall be excused from complying with Sections A and C of this Agreement whenever Perpetual has no funds available for mortgage lending.

Section E. Agreement Area Housing Counselling Service

The Adams Morgan Organization, the Adams Morgan ANC, the Mt. Pleasant ANC, and the Council of Hispanic Agencies and Community Groups shall designate a person or persons to constitute the Agreement Area Housing Counselling Service. At least one person so designated shall be bi-lingual and if there is more than one person, at least one person shall be Hispanic and bilingual. Perpetual agrees to contribute funds toward the salary and expenses of the Housing Counselling Service.

Perpetual shall provide the Housing Counselling Service with copies of its mortgage loan application forms. Perpetual shall also provide each Agreement Area resident who has applied for and been denied a mortgage loan at its 18th Street and Columbia Road branch office with a bilingual referral statement prepared by the Housing Counselling Service. When authorized to do so by a mortgage loan applicant who has been denied a mortgage loan at Perpetual's 18th Street and Columbia Road branch office, a member of the Housing Counselling Service may review the denial with the appropriate loan officer. Perpetual shall take no final action on a mortgage loan denial until the Housing Counselling Service and the BAC have completed their review.

Section F. Facilities at the 18th Street and Columbia Road Branch Office

The Branch Manager and Assistant Branch Manager at the 18th Street and Columbia Road branch office shall be empowered to act as Loan Officers. A part of their duties will be to counsel residents of the area on home purchasing. Every effort will be made to insure that the Branch Manager, or Assistant Branch Manager, is a resident of the Agreement Area and is bilingual. One of the loan officers, a new accounts secretary, and a teller shall be bilingual. Perpetual shall make available in Spanish explanatory information regarding loan applications, savings accounts, savings account rules, and proxy cards.

Section G. Branch Advisory Committee

Perpetual agrees to establish a Branch Advisory Committee (BAC) for its 18th Street and Columbia Road Branch office. The purpose of the BAC will be to assist Perpetual in meeting the needs of the residents of the Agreement Area. The BAC shall monitor the Branch's activities and compliance with the terms of this Agreement. It shall have the opportunity to review mortgage loan applications where the applicant for that mortgage loan requests such a review. The BAC and its individual members are encouraged to inform the Branch Manager, President, and Board of Directors of Perpetual in all cases where the operation of the Branch fails to meet the needs of the residents of the Agreement Area. Should the BAC or any of its individual members at any time feel that their complaints have not been given due consideration by Perpetual's management, they may demand a meeting with a committee of Perpetual's Board of Directors to insure that their opinion has been aired at the highest level.

The BAC shall be composed of not less than seven nor more than ten persons. Perpetual shall appoint one member nominated by the Adams Morgan Advisory Neighborhood Commission, one member nominated by the Mount Pleasant Advisory Neighborhood Commission, and one member nominated by the Council of Hispanic Agencies and Community Groups. Perpetual shall appoint the additional three to six members from the following categories -- home owner residents of the Agreement Area, tenant residents of the Agreement Area, and small businesspersons operating a business in the Agreement Area. If there are only three additional members, then one member shall be appointed from each category. If there are more than three additional members, then the members after the first three shall be appointed in the order in which the categories are listed above.

The members of the BAC shall elect a Chairperson whose duty it shall be to call and conduct the BAC's meetings. The Branch Manager, or the Assistant Branch Manager, shall attend these meetings as a non-voting member in order to keep the BAC fully informed of current operating conditions and policies. The BAC shall meet at least once a month. However, special meetings may be called by the Chairperson or by any three members of the BAC as the need arises in accordance with the established rules of the BAC.

Covenants

This Agreement shall be incorporated into Perpetual's Application to Establish a Branch Office at 18th Street and Columbia Road, N.W., prior to any Federal Home Loan Bank Board approval of the application. In consideration for the incorporation of the Agreement into Perpetual's application prior to the application's approval and for Perpetual's compliance with Agreement, the Adams Morgan Organization, the Adams Morgan ANC, the Mount Pleasant ANC and the Council of Hispanic Agencies and Community Groups shall upon Federal Home Loan Bank Board approval of Perpetual's application as amended by incorporation of the Loan Policy Agreement:

1. withdraw their opposition to the application;
2. not undertake or participate in a depositor boycott against Perpetual on account of its lending policies in the Agreement area;
3. not undertake or participate in a proxy challenge to Perpetual's management on account of its lending policies in the Agreement Area.

This Agreement may be modified by unanimous consent of the parties to the Agreement.

Beulah Bullard
Vice Chairperson
Adams-Morgan Organization

Jean Smith

Frank Smith, Jr.
Chairperson
Adams-Morgan A.N.C.

Horace T. Harris

Pedro Lujan
Council of Hispanic Agencies
and Community Groups

Thomas J. Owen
President
Perpetual Federal Savings and
Loan Association

Frank Shaffer-Corona
Council of Hispanic Agencies
and Community Groups

Thorton W. Owen
Chairperson Federal Savings and
Loan Association

Stanley K. Williams
Chairperson
Mount Pleasant A.N.C.

July 21, 1977

Mr. J.J. Finn
Secretary of the Board
Federal Home Loan Bank Board
320 First Street, N.W.
Washington, D.C. 20552

Re: Application of Perpetual Federal Savings and Loan Association, Washington, D.C. to establish a branch office at 18th Street and Columbia Road, N.W., Washington, D.C.

Dear Mr. Finn:

Perpetual Federal Savings and Loan Association (Perpetual) hereby amends its application to establish a branch office at 18th Street and Columbia Road, N.W., Washington, D.C. by incorporating the attached Loan Policy Agreement as part of the application.

The Adams Morgan Organization, the Adams Morgan Advisory Neighborhood Commission, the Mount Pleasant Advisory Neighborhood Commission, the Council of Hispanic Agencies and Community Groups, Jean Smith, Horace T. Harris, and Frank Shaffer-Corona (protestants) withdraw their opposition to Perpetual's application, contingent on the Federal Home Loan Bank Board's (FHLBB) approval of Perpetual's application as amended by incorporation of the Loan Policy Agreement. Given Perpetual's acceptance of the Loan Policy Agreement, the proposed branch office would serve the home financing needs of the community's residents. The protestants therefore urge the FHLBB to approve Perpetual's amended application.

Frank Shaffer-Corona also recommends that the FHLBB revise its regulations to provide notice of branch applications in the Spanish language in communities where Spanish speaking persons comprise a substantial portion of the population.

Respectfully submitted,

Thomas J. Owen

Thomas J. Owen
President
Perpetual Federal Savings and
Loan Association
11th and E Streets, N.W.
Washington, D.C. 20004

Louis J. Sirico, Jr.

Louis J. Sirico, Jr.
Attorney for
Adams Morgan Organization
Adams Morgan Advisory Neighborhood
Commission
Mount Pleasant Advisory Neighborhood
Commission
Council of Hispanic Agencies and
Community Groups
Jean Smith
Horace T. Harris
Frank Shaffer-Corona

Public Interest Research Group
1346 Connecticut Avenue, N.W.
Suite 403
Washington, D.C. 20036