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614 Sycamore
Waterloo, IA
50703-4726

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DEBORAH L. PEYTON, RECORDER/REGISTRAR
DELAWARE COUNTY IOWA

Prepared by: Emily Snyder, Community Plus Credit Union, 1200 W. Main St., Manchester, IA 52057 (563) 927-6187
When Recorded, Mail to:
Community Plus Credit Union
PO Box 117
Manchester, IA 52057

SUBORDINATION AGREEMENT

THIS AGREEMENT is made and entered into effective the 25th day of July 2005, by City of Manchester, Manchester Housing Rehabilitation Program Forgivable Loan Agreement ("Creditor").

RECITALS

WHEREAS Diane Friedlein ("Debtor(s)") is/are the owner(s) of real estate legally described as follows:

The West fifty (50) feet of the North one-half (N ½) and the North eleven (11) feet of the West fifty (50) feet of the South one-half (S ½) of Lot Twelve (12), Burrington's Addition to Manchester, Iowa, according to plat recorded in Book I, L.D. Page 245..

(the "Real Estate"); and

WHEREAS Creditor is the owner of a mortgage lien in favor of City of Manchester, Manchester Housing Rehabilitation Program Forgivable Loan Agreement, Creditor, and against Debtor, dated July 20, 1998, filed December 3, 1998, in the office of the Delaware County Recorder in Book 51 TLM page 112, in the amount of $24,999.00; and

WHEREAS the mortgage is not yet fully satisfied and remains a lien on the Real Estate (the "Lien"); and

WHEREAS Phh Mortgage Services (the "Lender") has agreed to lend funds to the Debtors, evidenced by a note (the "Note") and secured by a mortgage on the Real Estate (the "Mortgage"), conditioned upon the making of this Agreement by Creditor; and

WHEREAS Creditor is willing, in order to induce Lender to take the aforesaid action, to subordinate all of Debtor's indebtedness and obligations to Creditor pursuant to the mortgage lien, to all indebtedness and obligations of Debtor to the Lender pursuant to the Note and Mortgage;

NOW, THEREFORE, for and in consideration of the premises and of the making by lender to Debtor of the Loan, and for other good and valuable consideration, the receipt and sufficient of which are hereby acknowledged, Creditor agrees as follows:

1. Creditor hereby subordinates the Lien to the security interest of Lender pursuant to the Mortgage.

BLACK HAWK COUNTY ABSTRACT COMPANY

2. Creditor agrees that he will not seek to enforce the Lien or exercise any of his remedies against the Real Estate, including, without limitation, foreclosure or any other action or proceeding to sell or gain possession of the Real Estate for satisfaction of the Mortgage Lien, until all of Debtors' indebtedness to the Lender pursuant to the Note has been fully paid with interest, or until the Lender has first exercised any remedies against the Real Estate that Lender may have available to it pursuant to the Mortgage.
3. Creditor agrees that all of his right, title, and interest in and to the Real Estate and all proceeds derived by Creditor by recourse to such Real Estate shall be, in the first instance, for the benefit of Lender up to the amount of Debtors' indebtedness pursuant to the Note plus interest and collection cost, and thereafter, for the benefit of Creditor.
4. Creditor acknowledges and agrees that the priorities specified in this Agreement regarding the security interests in the Real Estate apply notwithstanding the time or order of attachment or perfection of such security interest or the time or order of the filing of financing statements evidencing the same.
5. The Lender shall not be deemed to have made a waiver of any right hereunder unless it is in writing and signed by or in behalf of the Lender.
6. Notice of acceptance by the Lender of this Agreement is hereby waived by the Creditor, and this Agreement and all of its terms and provisions shall be immediately binding upon the Creditor from the date of execution hereof.
7. Creditor agrees to execute all necessary documents, if any, to subordinate his Lien of the Real Estate to the Lender's interest therein.
8. This Agreement shall be governed by and construed in Accordance with the laws of the State of Iowa.
9. The terms and provisions of this Agreement shall be binding upon and inure to the benefit of the Creditor and the Lender and their respective heirs, successors, and permitted assigns.

IN WITNESS WHEREOF, Creditor has executed this Agreement as of the day first above written.

CITY OF MANCHESTER, IOWA

Milt L. Kramer

Milt L. Kramer, Mayor

Erin Rempe, City Clerk

STATE OF IOWA)
) ss:
COUNTY OF DELAWARE)

On this 19 day of August , 2005, before me, Laura K. Thomas, a Notary Public in and for the State of Iowa, personally appeared Milt L. Kramer and Erin Rempe, to me personally known, and, who, being by me duly sworn, did say that they are the Mayor and City Clerk, respectively, of the City of Manchester, Iowa; that the seal affixed to the foregoing instrument is the corporate seal of the corporation, and that the instrument was signed and sealed on behalf of the corporation, by the authority of its City Council, as contained in Resolution Number R-113-2005 adopted by the City Council on the 8 day of August, 2005, and that Milt L. Kramer and Erin Rempe acknowledged the execution of the instrument to be their voluntary act and deed and the voluntary act and deed of the corporation, by it voluntarily executed.

LAURA K. THOMAS
Commission Number 718135
My Commission Expires
8-26-08

Laura K Thomas
Notary Public