



FHA 203(k) Streamline Interest Rate Agreement

Loan No.

Borrower:

Co-Borrower:

Subject Property:

I/we understand that our FHA 203(k) Streamline loan will be serviced by Residential Bancorp, ISAOA/ATIMA and the money reserved for the repairs on my/our property will be retained by Residential Bancorp, ISAOA/ATIMA. The amounts retained in my/our Rehabilitation Escrow Account will earn interest at an annual rate of 2.0%

Interest will be calculated on the escrow balance from the date of loan closing by Residential Bancorp, ISAOA/ATIMA. If/when the loan servicing is purchased by another lender; they will calculate the interest on the escrow balance until the final holdback draw has been disbursed.

The interest will be paid as selected on the FHA 203(k) Borrower Acknowledgement (HUD Form 92700-A)

TO CHANGE THIS ELECTION, THE BORROWER(S) MUST REQUEST MUST BE SUBMITTED TO THE LOAN SERVICER FOR APPROVAL. CHANGE REQUESTS MADE AFTER LOAN DISBURSEMENT OF THE INTEREST WILL NOT BE ACCEPTED.

Applicant's Signature

Date

Co-Applicant's Signature

Date



Borrower's Identity of Interest Certification

Loan No.
Borrower:
Co-Borrower:

Subject Property:

I/we hereby certify to the Department of Housing & Urban Development (HUD) and Residential Bancorp (Lender), that I/we **DO NOT** have an identity-of-interest with the seller of the property. I/we also certify that I/we **DO NOT** have a conflict-of-interest with any other party to this transaction, including the real estate agent(s), lender, contractor, or appraiser. In addition, I/we certify that I/we are not obtaining any source of funds or acting as a "strawbuyer" for another individual, partnership, corporation, investment syndicate, and I/we **WILL BE** occupying the residence I/we are purchasing or refinancing as our primary residence.

Warning: HUD will prosecute false claims and statements. Convictions may result in criminal and/or civil penalties. (18 USC 1001, 1010, 1012; 31 USC, 3729, 3802).

Applicant's Signature

Date

Co-Applicant's Signature

Date



FHA 203(k) Streamline Limited Repair Loan Program

Borrower's Disclosure

Loan No.

Borrower:

Co-Borrower:

Subject Property:

Borrower(s) hereby warrants and represents (which warranties, covenants, agreements, and representations shall survive the making of any and all advances) to Lender, its agents, successors, and/or assigns (hereinafter after collectively called "Lender") as follows:

Borrower(s) acknowledge(s) that Borrower(s) will select and investigate or has selected and investigated the background, experience, and reputation of any and all contractors (hereinafter referred to as "Contractors") who will furnish labor, material or other services for the rehabilitation of said improvements and that Lender has, and shall have, no responsibility or liability whatsoever for such persons or for the quality of their materials and/or workmanship.

Borrower(s) acknowledge(s) that Lender has the right to verify the acceptability of Borrower(s)' selection of any or all Contractors in accordance with the guidelines set forth by the Department of Housing & Urban Development (hereinafter referred to as "HUD") and, additionally, Lender has the right to disallow any or all Contractors that do not meet the guidelines for Contractors as set out by HUD.

Applicant's Signature

Date

Co-Applicant's Signature

Date



FHA 203(k) Streamline Limited Repair Loan Program
Borrower's Disclosure

Borrower(s) understand(s) that these statements and acknowledgements are made for the purpose of inducing the Lender to advance the money pursuant to the terms of the Loan documents, and the Lender is relying upon the truth and accuracy of the statements made in advancing such loan proceeds. Further, Borrower(s) agree(s) to indemnify and save Lender harmless against costs, damages, attorney's fees, expenses and liabilities which it may incur or sustain in connection with the incorrectness of any of these representations or any court action arising therefrom and will pay the same upon demand. Borrower(s) further agree(s) to indemnify and save Lender harmless from any claims by or against the Contractors or any subcontractors or material suppliers.

Applicant's Signature

Date

Co-Applicant's Signature

Date

FHA 203-K Streamline / FNMA HomeStyle Renovation Loan Program

Homeowner/Contractor Agreement (OH)

Borrower: _____
Co-Borrower: _____
Subject Property: _____

Lender: Residential Bancorp, ISAOA/ATIMA

All contractor fields must be completed.

Contractor Name: _____
Contact Person: _____
Address: _____
City: _____
State: _____
ZIP: _____
Phone Number: _____
Fax Number: _____
Mobile Number: _____
E-Mail: _____

THIS AGREEMENT, made this _____ day of _____, 20__ between the above mentioned Homeowner(s) (Owner) and Contractor, is for the repair/rehabilitation of the property located at _____ that has been approved for FHA mortgage insurance under Section 203(k) of the National Housing Act and/or FNMA's HomeStyle Renovation Program. The Owner shall pay the Contractor the sum of \$ _____ for completion of the work, including all sales tax due by law, together with such increases or decreases in the contract price as may be approved in writing by Residential Bancorp. The work will commence within 30 days of the loan closing with Residential Bancorp, and will be completed no later than 60 days of the loan closing, unless delayed beyond the Contractor's control. The General Provisions listed below are made a part of this Agreement, between Owner and Residential Bancorp, or as described below (or on an attached sheet):

1. **Contract Documents:** This agreement includes all general provisions, special provisions and architectural exhibits that were accepted by the lender. Work not covered by this agreement will not be required unless it is required by reasonable inference as being necessary to produce the intended result. By executing this Agreement, the contractor represents that he/she has visited the site and understands local conditions, including state and local building regulations and conditions under which the work is to be performed.

Owner Initials: _____ Contractor Initials: _____

2. **Owner:** Unless otherwise provided for in the Agreement, the owner will secure and pay for necessary easements, exceptions from zoning requirements, or other actions which must precede the approval of a permit for this project. If owner fails to do so then this contract is void. If the contractor fails to correct defective work or persistently fails to carry out the work in accordance with the agreement or general provisions, the owner may order the contractor in writing to stop such work, or a part of the work, until the cause for the order has been eliminated.
3. **Contractor:** The contractor will supervise and direct the work and the work of all subcontractors. He/she will use the best skill and attention and will be solely responsible for all construction methods and materials for coordinating all portions of the work. Unless otherwise specified in the Agreement, the contractor will provide for and/or pay for all labor, materials, equipment, tools, machinery, transportation, and other goods, facilities, and services necessary for the property execution and completion of the work. The contractor will maintain order and discipline among employees and will not assign anyone unfit for the task. The Contractor warrants to the owner that all materials and equipment incorporated are new and that all work will be of good quality and free of defects or faults. The contractor will pay all sales, use, and other taxes related to the work and will secure and pay for all building permits and/or other permits, fees, inspections and/or licenses necessary for the completion of the work unless otherwise specified in the Agreement. The contractor will indemnify and hold harmless the owner from and against all claims, damages, losses, expenses, legal fees or other costs arising or resulting from the contractor's performance of the work or provisions of this section. The contractor will comply with all rules, regulations, laws, ordinances, and orders of any public authority or HUD inspector bearing on the performance of the work. The contractor is responsible for, and indemnifies the owner against acts and omissions of employees, subcontractors and their employees, or others performing the work under this Agreement with the contractor. The contractor will provide shop drawings, samples, product data or other information provided for in this Agreement, where necessary.
4. **Subcontractor:** Selected by the contractor, except that the contractor will not employ any subcontractor to whom the owner may have a reasonable objection, nor will the contractor be required by the owner to employ any subcontractor to whom the contractor has a reasonable objection.
5. **Work by Owner or Other Contractor:** The owner reserves the right to perform work related to the project, but which is not a part of this agreement, and to award separate contracts in connection with other portions of the project not detailed in this Agreement. All contractors and subcontractors will be afforded reasonable opportunity for the storage of materials and equipment by the owner and by each other. Any costs arising by defective or ill-timed work will be borne by the responsible party.
6. **Binding Arbitration:** Claims or disputes relating to the Agreement or General Provisions will be resolved by the Construction Industry Arbitration Rules of the American Arbitration Association (AAA) unless both parties mutually agree to other methods. The notice of the demand for arbitration must be filed in writing with the other party to this Agreement and with the AAA and must be made in a reasonable time after the dispute has arisen. The award rendered by the arbitrator(s) will be considered final and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction thereof.
7. **Cleanup and Trash Removal:** The contractor will keep the owner's residence free from waste or rubbish resulting from the work. The contractor will remove all waste, rubbish, tools, construction materials, and machinery promptly after completion of the work.
8. **Time:** With respect to the scheduled completion of the work, time is of the essence. If the contractor is delayed at anytime in the progress of work by change orders, fire, labor disputes, acts of God, or other causes beyond the contractor's control, the completion schedule for the work or affected parts of the work may be extended by the same amount of time caused by the delay. The contractor must begin work no

later than 30 days after the loan closing with Residential Bancorp and will not cease work for more than 30 consecutive days.

9. **Payments and Completion:** Payments may be withheld because of,
- defective work not remedied;
 - failure of contractor to make proper payments to subcontractors, workers, or suppliers;
 - persistent failure to carry out work in accordance with this agreement;
 - legal claims.

Final payment will be due after complete release of any and all liens arising out of the contract or submission of receipts or other evidence of payment covering all subcontractors or suppliers that could cause such a lien. The contractor agrees to indemnify the owner against such liens and will refund all monies including costs and reasonable attorney's fees paid by the owner in discharging the liens. A 10% holdback may be required by the DE Underwriter to assure the work has been properly completed and that there are no liens on the property.

AT NO TIME WILL FUNDS BE DISBURSED TO THE CONTRACTOR UNTIL ALL WORK HAS BEEN COMPLETED AND INSPECTED. UPON COMPLETION OF WORK (AS DEFINED BY THE SCOPE OF WORK AND IN COMPLIANCE WITH FHA MINIMUM PROPERTY STANDARDS), THE CONTRACTOR WILL BE RESPONSIBLE FOR NOTIFYING RESIDENTIAL BANCORP. RESIDENTIAL BANCORP WILL ORDER THE INSPECTION OF THE WORK AND TITLE UPDATE. THE FINAL PAYMENT TO THE CONTRACTOR WILL BE AVAILABLE WITHIN 10-14 BUSINESS DAYS OF RESIDENTIAL BANCORP'S RECEIPT OF NOTIFICATION.

Owner Initials: _____

Contractor Initials: _____

10. **Protection of Property and Persons:** The contractor is responsible for initiating, maintaining, and supervising all necessary and/or required safety programs. The contractor must comply with all applicable laws, regulations, ordinances, orders or laws of federal, state, county, or local governments. The contractor will indemnify the owner for all property loss or damage to the owner caused by his/her employees or his/her direct or subcontractors.
11. **Insurance:** The contractor will purchase and maintain all insurance necessary to protect from claims under workers compensation and from any damage to the owner's property resulting from the conduct of this contract.
12. **Changes in the Contract:** The owner may order changes, additions, or modifications (using HUD form 92577) without invalidating the contract. Such changes must be in writing, signed by the owner, and acceptable to the lender. Not all change order requests will be accepted by the lender; therefore, the contractor proceeds at his/her own risk if work is completed without an accepted change order. If a change is approved, a corresponding item in the repair contingency must be deleted. The new repair item must also be included in the allowable repair items.
13. **Correction of Deficiencies:** The contractor must correct promptly any work of his/her own or of his/her subcontractors found to be defective or not complying with the terms of the contract.
14. **Warranty:** The contractor will provide a one-year warranty on all labor and materials used in the rehabilitation of the property. This warranty must extend one-year from the date of completion of the

contract or longer it prescribed by law unless otherwise specified by other terms of this contract. Disputes will be resolved through the Construction Industry Arbitration Rules of the American Arbitration Association.

15. **Termination:** If the owner fails to make a payment under the terms of this Agreement, through no fault of the contractor, the contractor may, upon ten working days written notice to the owner, and if not satisfied, terminate this Agreement. The owner will be responsible for paying the contractor for all work completed. If the contractor fails or neglects to carryout the terms of the contract, the owner, after ten working days written notice to the contractor, may terminate this agreement. The owner may finish the job by whatever reasonable method the owner deems expedient. If the cost of completion exceeds the contract balance, the difference, as well as reasonable attorney's fees if necessary, will be paid to the owner by the contractor.
16. **Contractor statements:** Contractor represents and warrants the information provided on both the Contractor Profile and Contractor Licensure Statement is current, complete, and accurate.
17. **Additional Work Items Identified Subsequent to Closing:** If additional work items are discovered subsequent to the closing of the transaction, and are necessary to maintain compliance with FHA Minimum Property Standards (as listed in HUD Handbooks 4150.2 CHG-1 and 4155.2), the work items must be included in the scope of work to be completed by the contractor. If the cost of the additional work items exceeds the amount held by the contingency reserve, the owner shall bear all responsibility for payment of said work items. If the owner is unable to absorb the cost of said work items, non-MPS work items may have to be removed from the scope of work. In no event will the lender issue additional funds to offset the cost of additional items. It is encouraged that both the owner and the contractor use due diligence and proper decision making in developing the initial scope of work and estimate of costs.

FOR OWNER:

Signature

Date

Signature

Date

FOR CONTRACTOR:

Signature

Date

Printed Name & Title

Date

FHA 203-K Streamline / FNMA HomeStyle Renovation Loan Program

Homeowner/Contractor Agreement (DB)

Borrower: _____
Co-Borrower: _____
Subject Property: _____

Lender: Residential Bancorp, ISAOA/ATIMA

All contractor fields must be completed.

Contractor Name: _____
Contact Person: _____
Address: _____
City: _____
State: _____
ZIP: _____
Phone Number: _____
Fax Number: _____
Mobile Number: _____
E-Mail: _____

THIS AGREEMENT, made this _____ day of _____, 20__ between the above mentioned Homeowner(s) (Owner) and Contractor, is for the repair/rehabilitation of the property located at _____ that has been approved for FHA mortgage insurance under Section 203(k) of the National Housing Act and/or FNMA's HomeStyle Renovation Program. The Owner shall pay the Contractor the sum of \$ _____ for completion of the work, including all sales tax due by law, together with such increases or decreases in the contract price as may be approved in writing by Residential Bancorp. The work will commence within 30 days of the loan closing with Residential Bancorp, and will be completed no later than 60 days of the loan closing, unless delayed beyond the Contractor's control. The General Provisions listed below are made a part of this Agreement, between Owner and Residential Bancorp, or as described below (or on an attached sheet):

- Contract Documents:** This agreement includes all general provisions, special provisions and architectural exhibits that were accepted by the lender. Work not covered by this agreement will not be required unless it is required by reasonable inference as being necessary to produce the intended result. By executing this Agreement, the contractor represents that he/she has visited the site and understands local conditions, including state and local building regulations and conditions under which the work is to be performed.

Owner Initials: _____ Contractor Initials: _____

2. **Owner:** Unless otherwise provided for in the Agreement, the owner will secure and pay for necessary easements, exceptions from zoning requirements, or other actions which must precede the approval of a permit for this project. If owner fails to do so then this contract is void. If the contractor fails to correct defective work or persistently fails to carry out the work in accordance with the agreement or general provisions, the owner may order the contractor in writing to stop such work, or a part of the work, until the cause for the order has been eliminated.
3. **Contractor:** The contractor will supervise and direct the work and the work of all subcontractors. He/she will use the best skill and attention and will be solely responsible for all construction methods and materials for coordinating all portions of the work. Unless otherwise specified in the Agreement, the contractor will provide for and/or pay for all labor, materials, equipment, tools, machinery, transportation, and other goods, facilities, and services necessary for the property execution and completion of the work. The contractor will maintain order and discipline among employees and will not assign anyone unfit for the task. The Contractor warrants to the owner that all materials and equipment incorporated are new and that all work will be of good quality and free of defects or faults. The contractor will pay all sales, use, and other taxes related to the work and will secure and pay for all building permits and/or other permits, fees, inspections and/or licenses necessary for the completion of the work unless otherwise specified in the Agreement. The contractor will indemnify and hold harmless the owner from and against all claims, damages, losses, expenses, legal fees or other costs arising or resulting from the contractor's performance of the work or provisions of this section. The contractor will comply with all rules, regulations, laws, ordinances, and orders of any public authority or HUD inspector bearing on the performance of the work. The contractor is responsible for, and indemnifies the owner against acts and omissions of employees, subcontractors and their employees, or others performing the work under this Agreement with the contractor. The contractor will provide shop drawings, samples, product data or other information provided for in this Agreement, where necessary.
4. **Subcontractor:** Selected by the contractor, except that the contractor will not employ any subcontractor to whom the owner may have a reasonable objection, nor will the contractor be required by the owner to employ any subcontractor to whom the contractor has a reasonable objection.
5. **Work by Owner or Other Contractor:** The owner reserves the right to perform work related to the project, but which is not a part of this agreement, and to award separate contracts in connection with other portions of the project not detailed in this Agreement. All contractors and subcontractors will be afforded reasonable opportunity for the storage of materials and equipment by the owner and by each other. Any costs arising by defective or ill-timed work will be borne by the responsible party.
6. **Binding Arbitration:** Claims or disputes relating to the Agreement or General Provisions will be resolved by the Construction Industry Arbitration Rules of the American Arbitration Association (AAA) unless both parties mutually agree to other methods. The notice of the demand for arbitration must be filed in writing with the other party to this Agreement and with the AAA and must be made in a reasonable time after the dispute has arisen. The award rendered by the arbitrator(s) will be considered final and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction thereof.
7. **Cleanup and Trash Removal:** The contractor will keep the owner's residence free from waste or rubbish resulting from the work. The contractor will remove all waste, rubbish, tools, construction materials, and machinery promptly after completion of the work.
8. **Time:** With respect to the scheduled completion of the work, time is of the essence. If the contractor is delayed at anytime in the progress of work by change orders, fire, labor disputes, acts of God, or other causes beyond the contractor's control, the completion schedule for the work or affected parts of the work may be extended by the same amount of time caused by the delay. The contractor must begin work no

later than 30 days after the loan closing with Residential Bancorp and will not cease work for more than 30 consecutive days.

9. **Payments and Completion:** Payments may be withheld because of,
- defective work not remedied;
 - failure of contractor to make proper payments to subcontractors, workers, or suppliers;
 - persistent failure to carry out work in accordance with this agreement;
 - legal claims.

Final payment will be due after complete release of any and all liens arising out of the contract or submission of receipts or other evidence of payment covering all subcontractors or suppliers that could cause such a lien. The contractor agrees to indemnify the owner against such liens and will refund all monies including costs and reasonable attorney's fees paid by the owner in discharging the liens. A 10% holdback may be required by the DE Underwriter to assure the work has been properly completed and that there are no liens on the property.

THE CONTRACTOR CAN RECEIVE UP TO TWO DISBURSEMENT CHECKS. THE FIRST IS LIMITED TO 25% OF THE TOTAL BID AMOUNT AND THE REMAINING 75% OF THE BID AMOUNT WILL BE THE FINAL PAYMENT. THE CHECKS WILL BE A TWO-PARTY CHECK TO THE HOMEOWNER AND THE CONTRACTOR. THE FINAL CHECK WILL BE MADE FOLLOWING COMPLETION OF ALL WORK AND RELEASE OF ANY AND ALL LIENS ARISING OUT OF THE CONTRACT OR SUBMISSION OF RECEIPTS OR OTHER EVIDENCE OF PAYMENT COVERING ALL SUBCONTRACTORS OR SUPPLIERS WHO COULD FILE A LEGAL CLAIM. THE FINAL PAYMENT TO THE CONTRACTOR WILL BE AVAILABLE WITHIN 10-14 BUSINESS DAYS OF RESIDENTIAL BANCORP'S RECEIPT OF NOTIFICATION.

Owner Initials: _____ Contractor Initials: _____

10. **Protection of Property and Persons:** The contractor is responsible for initiating, maintaining, and supervising all necessary and/or required safety programs. The contractor must comply with all applicable laws, regulations, ordinances, orders or laws of federal, state, county, or local governments. The contractor will indemnify the owner for all property loss or damage to the owner caused by his/her employees or his/her direct or subcontractors.
11. **Insurance:** The contractor will purchase and maintain all insurance necessary to protect from claims under workers compensation and from any damage to the owner's property resulting from the conduct of this contract.
12. **Changes in the Contract:** The owner may order changes, additions, or modifications (using HUD form 92577) without invalidating the contract. Such changes must be in writing, signed by the owner, and acceptable to the lender. Not all change order requests will be accepted by the lender; therefore, the contractor proceeds at his/her own risk if work is completed without an accepted change order. If a change is approved, a corresponding item in the repair contingency must be deleted. The new repair item must also be included in the allowable repair items.
13. **Correction of Deficiencies:** The contractor must correct promptly any work of his/her own or of his/her subcontractors found to be defective or not complying with the terms of the contract.

14. **Warranty:** The contractor will provide a one-year warranty on all labor and materials used in the rehabilitation of the property. This warranty must extend one-year from the date of completion of the contract or longer it prescribed by law unless otherwise specified by other terms of this contract. Disputes will be resolved through the Construction Industry Arbitration Rules of the American Arbitration Association.
15. **Termination:** If the owner fails to make a payment under the terms of this Agreement, through no fault of the contractor, the contractor may, upon ten working days written notice to the owner, and if not satisfied, terminate this Agreement. The owner will be responsible for paying the contractor for all work completed. If the contractor fails or neglects to carryout the terms of the contract, the owner, after ten working days written notice to the contractor, may terminate this agreement. The owner may finish the job by whatever reasonable method the owner deems expedient. If the cost of completion exceeds the contract balance, the difference, as well as reasonable attorney's fees if necessary, will be paid to the owner by the contractor.
16. **Contractor statements:** Contractor represents and warrants the information provided on both the Contractor Profile and Contractor Licensure Statement is current, complete, and accurate.
17. **Additional Work Items Identified Subsequent to Closing:** If additional work items are discovered subsequent to the closing of the transaction, and are necessary to maintain compliance with FHA Minimum Property Standards (as listed in HUD Handbooks 4150.2 CHG-1 and 4155.2), the work items must be included in the scope of work to be completed by the contractor. If the cost of the additional work items exceeds the amount held by the contingency reserve, the owner shall bear all responsibility for payment of said work items. If the owner is unable to absorb the cost of said work items, non-MPS work items may have to be removed from the scope of work. In no event will the lender issue additional funds to offset the cost of additional items. It is encouraged that both the owner and the contractor use due diligence and proper decision making in developing the initial scope of work and estimate of costs.

FOR OWNER:

Signature

Date

Signature

Date

FOR CONTRACTOR:

Signature

Date

Printed Name & Title

Date

203 (k) Borrower's Acknowledgement

U.S. Department of Housing and Urban Development
Office of Housing
Federal Housing Commissioner

Condition of Property: I understand that the property I am purchasing is not HUD approved and HUD does not warrant the condition or the value of the property. I understand the HUD plan review (where performed) and the appraisal are performed to determine compliance with the required architectural

exhibits and to estimate the value of the property, but neither guarantees the house is free of defects. I understand I was responsible to have an independent consultant and/or a professional home inspection service perform an inspection of the property and the cost of the inspection was (or could be) included in the mortgage.

Loan Requirements

• I understand at the time of the loan closing of an FHA-insured 203(k) Rehabilitation Loan, for which I have applied to my lender, the proceeds designated for the rehabilitation or improvement (including a contingency reserve, mortgage payments and any other fees, where applicable) are to be placed in an interest bearing escrow account. The Rehabilitation Escrow Account is not, nor will it be treated as an escrow for the paying of real estate taxes, insurance premiums, delinquent notes, ground rents or assessments. I hereby request the lender, after the Final Release Notice is issued, to:

- Pay the net interest income directly to me/us.
- Apply the net interest income directly to the mortgage principal balance for an equal amount of principal reduction.
- Other: _____

- I understand that the Rehabilitation Escrow Account will cease paying interest to me if (1) the loan payments are delinquent for more than 30 days; or (2) the completion date (or an approved extension) has expired. During this period, the interest will be paid down on the mortgage principal. I understand if I clear up the delinquent or default status and/or the completion date has not expired or an extension has been approved, then the interest on the escrow account will begin again to be paid according to the request above.
- I understand no draws on the escrow account can be made until all permits have been issued by the local or state building departments, where required. I further understand I can only request monies for the actual cost of rehabilitation. If any cost savings result on any line item of the Draw Request, form HUD-9746-A, the amount saved must be used to: (1) Make further improvements to the property; (2) Pay for cost overruns in other line items of the Draw Request; or (3) Prepay the mortgage principal.
- I understand the contractor(s) is responsible to complete the work described in the architectural exhibits in a workmanlike manner. If I agree the work has been properly completed, I will sign the Draw Request, form HUD-9746-A, thereby accepting the responsibility that the completed work is acceptable and payment is justified. I understand there is a 10 percent holdback on each Draw Request to assure the work is properly completed and for lien protection.
- I understand I am responsible to negotiate any and all agreements with the contractor(s) I select and that HUD suggests that the Agreement with the contractor should include a provision for binding arbitration with the American Arbitration Association on any dispute.
- I understand if I am using the Escrow Commitment Procedure, I must sign form HUD-314. The funds deposited in an escrow, trust or special account will not be released until an assumption of the loan occurs by a creditworthy buyer or until the time allowed for such assumption has expired, thereby requiring the funds to be paid down on the mortgage principal.

- I understand if I change a contractor for any reason, I may be obligated under the terms of the original contractor's agreement and I should seek legal advice before taking such action. If I disagree with the contractor regarding the acceptable completion of the work, I can request an inspection by the fee inspector to determine if the work has been properly completed. If an agreement cannot be made with the contractor, the lender may hold the money until such time as an agreement is reached or an arbitrator's decision is rendered.
- I understand the lender or HUD does not provide a one-year warranty on the completed work on the property. I am responsible to obtain such warranty(s) from the contractor(s) and the warranty should be stated in the Homeowner-Contractor Agreement.
- I understand I am responsible to make the mortgage payments during the term of the loan, including the rehabilitation period, to ensure the property will not go into default. The construction on the home must start within 30 days; if the construction ceases for more than 30 days, the lender may consider the loan in default or the lender can use the escrow money to have the work completed. If the work stops or is not progressing as it should, or if the work does not comply with the accepted architectural exhibits, the lender may require additional compliance inspections to protect the security of the loan and I will be responsible to pay for the inspections and the cost of the inspection may be withheld at the next draw request.
- I understand no changes to the architectural exhibits can be made without the acceptance of the lender (or HUD) on form HUD-92577. The contingency fund is set up for changes that affect the health, safety, or items of necessity of the occupants of the property. If the contingency reserve is insufficient, I must place additional monies into the account for payment upon acceptance of the change. Additional improvements can be made after it is determined no further health and safety items exist. A change order will be made to assure the monies are available to the contractor upon completion of the changed work.
- I understand if there are unused contingency funds, mortgage payments, inspection fees or other monies in the Rehabilitation Escrow Account after the Final Release is processed, the lender, in compliance with HUD regulations, **must** apply those funds to prepay the mortgage principal, provided those items are a part of the mortgage.
- I understand the lender may retain the 10 percent holdback, for a period not to exceed 35 days (or the time period required by law to file a lien, whichever is longer), to ensure compliance with state lien waiver laws or other state requirements. Upon completion of the work, I understand I will be provided: (1) The Final Draw Request; (2) The Final Release Notice; and (3) An accounting of the final distribution of all funds.

This statement must be delivered to you prior to closing the loan. Return one copy to your lender as proof you have read the entire document. Keep one copy for your records. You, the borrower(s), must be certain that you understand this information. Sign here only after you have read this entire document. Seek professional advice if you are uncertain.

Borrower's Signature & Date:

X

Co-Borrower's Signature & Date:

X

I, the lender, certify this information was delivered to the borrower(s) prior to the time of loan closing.

Lender's Signature & Date:

X