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## **203k Quick Reference Guide**

### **Be sure to review the purchase contract for the following items**

- The sales contract should be contingent upon approval.
- The seller should allow inspectors, contractors, or the FHA consultant access to the property to estimate the cost of the remodel/renovation.
- All Bids must have the repairs itemized and must reflect the cost of labor and materials broken out on the bid. A total must also be reflected. Bids must be signed and accepted by all parties.
- The Contractors Bid and the Consultants Specification of Repairs must match.
- Within seven to ten days of the agreement, the buyer should obtain an inspection of the property by a professional home inspector and termite company to make sure there are no unforeseen problems.
- If the borrower is purchasing a HUD-foreclosed property, it should be stated in the sales contract what portion of the closing costs HUD is going to pay, and the incentive programs HUD is offering at the time. Any incentives being offered should be specifically stated in the contract. The lead based paint inspection report (for homes built prior to 1978), done by the M&M contracting company, will also be needed at the time of submission.
- An FHA 203K Appraisal with the “as is”, “subject to” values along with an addendum attached to the appraisal of the Consultants Scope of Work (standard 203K) or the Contractor’s bid (Limited 203K), is required.
- Disbursement checks are made payable to both the Borrower(s) and the Contractor.

### **Borrowers and FHA consultant meet at the property**

The FHA consultant conducts an inspection of the property and determines what repairs are needed to meet HUD’s minimum property requirements. The borrower(s) will indicate any work they wish to have done at the time of inspection. Please note: A FHA consultant isn’t required on the 203(k) limited product.

Borrower to provide a written work write up to the consultant for any work they wish to be completed. If it is a limited 203K the work write up is to be provided to the contractor. A copy of write up to be provided to the lender.



### **Finding a FHA Consultant**

- Go to HUD's website at [www.hud.gov](http://www.hud.gov)
- In the Search option box (top right corner), input "203(k) Consultants"
- Select: HUD FHA Inspectors & 203(k) Consultants
- Select: 203(k) Consultants
- Select: The appropriate state and press send. It will list, all of the FHA 203(k) consultants, in that state.

### **Obtain a Work Write-up/Specification of Repairs**

You should receive a copy of the Work Write-up/Specification of Repairs from the FHA Consultant, which includes the Consultant's cost estimates for the completion of the project. You should also receive the consultant agreement, that's signed & dated, by the borrower and consultant. The Work Write-up/Specification of Repairs isn't required on the 203(k) limited program, just a detailed contractor's estimate.

### **Have the Homeowner/Contractor Agreement executed**

Once the borrower(s) receive the copy of the Specification of Repairs, they will select the contractor they wish to use and obtain their insurance and license (if required by municipal guidelines) and a resume with a list of references.

### **Order HUD Case Number**

The assignment of a HUD Case Number should be obtained. If the loan is a 203(k) limited, the construction ID code, would be "203KS".

### **Order an appraisal**

- Send a copy of the work write-up/Specification of Repairs to appraiser.
  - For the 203(k) limited product, give the appraiser, the detailed contractor's estimate.
  - On standard 203(k) a copy of the Consultants Report needs to be sent to the appraiser.
- Note:** The contractor's estimates and FHA Consultant's Work Write-up must match dollar for dollar, prior to underwriting.



### **Disclosing Costs from 203(k) MMWS to the LE**

If it is a purchase transaction the 203K total holdback amount will be disclosed in section K on page 3 and appear in adjustments and other credits on the cash to close table.

On a refinance transaction the entire holdback amount must be disclosed under section H “other charges” as a lump sum.

### **Submit to Underwriting**

- By the time the borrower selects their contractor and signs the necessary contract, the appraisal should be done.
- Upon receipt of the “after-improved” appraisal, you should have all of the figures you need to complete the final Maximum Mortgage Worksheet. This document is as important as the 92900LT Transmittal Summary to the underwriter in reviewing a 203(k) loan. You are now ready to send the file to underwriting.
- The following documentation is required for a complete 203(k) package to be submitted to your DE Underwriter for approval:

#### **203(k) Maximum Mortgage Worksheet**

- Is used for mortgage calculation purposes to determine the maximum insurable mortgage amount and is made a part of the firm commitment.
- The underwriter can make modifications until final sign-off. It is important that the borrower(s) understand the meaning of each line item.
- Each line item will be an entry in the Total Rehabilitation Escrow Account.

#### **Transmittal Summary 92900LT & 1003**

- Information from the Maximum Mortgage Worksheet is transferred to the Transmittal Summary & 1003.

#### **Work Write-up/Specifications of Repairs or Cost Estimate**

- The Work Write-up/Specification of repairs, is to be completed by the FHA Consultant. This form isn't required, for the 203(k) limited product, just the detailed cost estimate. Documents the detail of the remodeling/renovations with attached architectural exhibits, drawings, etc. as described in the handbook and subsequent Mortgagee Letters. **All required permits must be in place prior to the first release.**

#### **Draw Request Form (not required on 203(k) limited)**

- The Consultant completes column #1 with the dollar amounts corresponding to the construction line items.
- The Consultant must sign and date the certification on page 1 only and include their ID number and the Suggested Contingency Reserve.
- Individual photos are needed for each item on the Draw Form.



### **203(k) Borrower's Acknowledgment**

- This document is to be reviewed, discussed and signed by the borrower(s) at time of counseling/application.
- Be sure to give a copy to the borrower(s).
- A box must be checked by the borrower(s) to state if the interest is to be returned to the borrower(s) or applied to the principal balance of their mortgage.
- This form should be in the package submitted to underwriting and a copy must be included in the HUD Insuring Binder.

### **Homeowner /Contractor Agreement**

- A Homeowner/Contractor Agreement is executed between the borrower(s) and contractor to ensure that the contractor is in place to complete the work for the underwritten amount.
- In conjunction with the Homeowner/Contractor Agreement, the contractor should provide a detailed estimate of the renovations to be completed.

### **Identity of Interest Certifications**

- The certifications state that neither the borrower(s) nor the consultant can have an identity of interest with any other parties involved in the transaction.

## **Standard 203(k) Program**

### **203(k) Eligible Improvements**

There is a minimum requirement of \$5,000 in eligible improvements on the subject property. All health, safety and energy items have to be addressed prior to completing any general home improvements. Eligible improvements include anything that will become a permanent part of the property.

A Standard 203K has a maximum of 4 draws plus a final inspection.

### **Eligible improvements**

- Structural repairs and alterations – includes additions to the structure
- Improvement in the functionality or modernization – includes updating kitchens and bathrooms
- Changes for aesthetic appeal and the elimination of obsolescence – new exterior siding and new doors, repair/replacement of plumbing, heat, air conditioning or electrical – installation of new plumbing fixtures are acceptable, including interior whirlpool bathtubs



- Installation of well and/or septic system – must be installed or repaired prior to beginning any other repairs to the property.
- Replacement of flooring, carpeting or tile
- Energy conservation improvement – new double pane windows and doors, storm windows, insulation, solar domestic hot water systems
- Major landscape work and site improvement – patios and terraces that improve the value of the property equal to the cost, or that are needed to preserve the property from erosion. Tree removal is also acceptable if the tree presents a hazard to the occupants.
- Purchase and installation of appliances, including freestanding ranges, refrigerators, washers/dryers, dishwashers and microwave ovens
- Accessibility improvements for accessibility for persons with disabilities
- Painting and other cosmetic repairs
- Repair or removal of a swimming pool

### **Ineligible work items**

- Items that will not become a permanent part of the property are not eligible
- Luxury items are not eligible – Examples are: new swimming pools, exterior hot tubs, saunas, spas, tennis courts, barbecue pits, satellite dishes, photo murals, gazebos, tree surgery (except when eliminating a safety hazard) additions or alterations for commercial use or to equip or refurbish space for commercial use.

### **Rehabilitation requirements**

All rehab work must be performed by a qualified, experienced contractor chosen by the borrower and satisfying all requirements.

- Borrowers may not use relatives as their contractors; review Identity of Interest disclosure for details on other restrictions.
- Inspections are required for all draws.
- “Self-help” is not allowed.
- Homeowner/Contractor agreement required along with the estimate from the contractor.
- All work must be completed within six (6) months.
- A consultant is required and will do the Work Write-up/Specification of Repairs.
- The borrower can have up to **3** contractors. If more than 3 contractors are required, a general contractor must be hired, to oversee the project.
- General Contractors minimum liability coverage for each occurrence should be \$500,000.

### **Consultant fees**

The Consultant should inspect the property and provide the Work Write-up/Specification of Repairs. Lenders should be sure to check the HUD website to ensure that the Consultant is approved. For 203(k) loans, lenders are required to use a Consultant in ALL cases (except on the



203(k) limited Program without major renovations/changes). Architectural and engineering fees are not restricted as long as they are customary and reasonable for the type of project being done.

The allowable consultant fees should fit within the following parameters:

Cost of Repairs	Fee
<\$7,500	\$400
\$7,500.01 - \$15,000	\$500
\$15,000.01 - \$30,000	\$600
\$30,000.01 - \$50,000	\$700
\$50,000.01 - \$75,000	\$800
\$75,000.01 - \$100,000	\$900
>\$100,000.01	\$1,000
NOTE: An additional \$100 can be charged by the Consultant if the Borrower wishes to have them complete a feasibility study prior to submitting a sales contract to the seller. Architectural and engineering fees are not restricted as long as they are customary and reasonable for the type of project being done.	

### **Inspection fees**

**203(k)** - For each inspection the lender is required to have the Consultant complete a draw request signed by the borrower(s), contractor and the inspector stating that the work for that particular draw has been satisfactorily completed. The HUD Consultant does the inspections because he/she will already be familiar with the renovation work being done on the property. The following are guidelines as to how much the HUD Fee Inspector can charge to complete these inspections:

- Maximum fees for inspections on completed work will be \$100 plus a mileage fee at the current IRS mileage rate when consultants place of business is more than 15 miles from the subject property. Consultant may charge \$100 for change order requests.
- If additional inspection fees are required to ensure compliance exceeds the amount that was initially escrowed, the borrower or contractor will be responsible for payment.





## **203(k) Limited Program**

### **203(k) Limited Repair Program**

The 203(k) Limited Repair Program allows homebuyers to finance up to \$35,000 into their mortgage to improve or upgrade their home. Expenses that may be included in the \$35,000 are inspection fees, building and other permits, the supplemental origination fee, title update cost and the amount of any contingency reserve required by the mortgagee. The 203(k) Limited cannot exceed the dollar limit of \$35,000 (1E of the Maximum Mortgage Worksheet).

A Limited 203K has a maximum of 2 draws unless an item is delayed for weather related purposes (if acceptable reason for extension on the draw process, a letter must be provided by the HUD Consultant).

### **Eligible work items**

- Repair/replacement of roofs, gutters and downspouts
- Repair/replacement/upgrade of existing HVAC systems
- Repair/replacement/upgrade of plumbing and electrical systems
- Repair/replacement of existing flooring
- Minor remodeling, such as kitchens, which does not involve structural repairs
- Interior and exterior painting
- Weatherization: including storm windows and doors, insulation, weather stripping, etc.
- Purchase and installation of appliances, including freestanding ranges, refrigerators, washers/dryers, dishwashers and microwave ovens
- Accessibility improvements for persons with disabilities
- Repair/replace/add exterior decks, patios, porches
- Basement finishing and remodeling, which does not involve structural repairs
- Basement waterproofing
- Window and door replacements and exterior wall residing
- Septic system and/or well repair or replacement
- Lead-based paint stabilization or abatement of lead-based paint hazards
- Connection to public utilities
- Repair or removal of in ground pool
- Install or repair fences, walkways and driveways
- Install, replace or repair exterior decks, patios or porches





### **Ineligible work items**

- Major rehabilitation or major remodeling such as the relocation of a load-bearing wall
- New construction (including room additions)
- Repair of structural damage
- Repairs requiring detailed drawings of architectural exhibits
- Landscaping or similar site amenity improvements (Example: tree trimming & retaining walls)
- Any repair or improvement requiring a work schedule longer than six (6) months
- Rehabilitation activities that require more than two (2) payments per specialized contractor
- Construction of a windstorm shelter
- Luxury items are not eligible – Examples are: new swimming pools, exterior hot tubs, saunas, spas, tennis courts, barbecue pits, satellite dishes, photo murals, gazebos, tree surgery (except when eliminating a safety hazard) additions or alterations for commercial use or to equip or refurbish space for commercial use.

### **Rehabilitation requirements – 203(k) Limited Repair Program**

All rehab work must be performed by a qualified, experienced contractor chosen by the borrower and satisfying all requirements. Borrowers may not use relatives as their contractors; review Identity of Interest disclosure for details on other restrictions

- A final inspection is required when the renovations are 100% completed. The money will be released once the final inspection and title update are received
- Copies of all permits are also required prior to the release of the money
- “Self-help” not allowed.
- Homeowner/Contractor Agreement required along with detailed estimates from the contractor
- All work must be completed within six (6) months. (HUD will not grant extensions.)
- The borrower can have up to **3** contractors under the Streamline K program.
- 1st payment is for material costs not to exceed **50%** of repair costs
- 2nd payments upon completion of all work

### **203(k) Limited**

The appraiser or a HUD Consultant can complete inspections. A Compliance Inspection form



with pictures is acceptable for the Streamline. A HUD Consultant is not required on a Limited 203K.

### **Title Update**

Prior to any draw from the escrow account, a title update is required to ensure that the mortgagee remains in first lien position. On the 203(k) limited program, a title update isn't required, on the initial up front disbursement. The individual title companies determine the amount financed for title updates. Any unused moneys will be used to pay down on the mortgage amount once the renovation is complete.

### **NO ALTERATIONS**

NO ALTERATIONS are to be made by the Contractor or Borrower to the original bid/Scope of Work that was initially approved by EA prior to purchase/close. Any changes that are being requested during the renovation or in question MUST be addressed to EA prior to continuing the rehabilitation process and will require an approval or denial by EA prior to the start of work on any additional requested change order items.

### **Draw Requests**

To request the final draw on any 203k, follow these steps:

- The appraiser does a final inspection, and provides a paid invoice, unless a consultant was used, which they will provide a report instead.
- The applicant and contractor sign a statement that the work is completed.
- Contractor signs the 203K Lien Waiver and Release Form.
- The applicant signs the 203K Mortgagors Letter of Completion.
- Provide a title continuation to ensure nothing has been added to title since the last title was complete.
- Email to [DrawRequest@ealoans.com](mailto:DrawRequest@ealoans.com) with subject line having the property address

To request draws on a STANDARD 203k, follow these steps (for Final Draw, see above):

- Email to [DrawRequest@ealoans.com](mailto:DrawRequest@ealoans.com) with subject line having the property address  
Consultant to provide
  - Draw Request with photos for each item.
  - Request for Acceptance of changes in Approved Drawing and Specifications
  - Lien Waiver and release
  - Compliance Inspection report



**ENDEAVOR AMERICA**

LOAN SERVICES

# CONSUMER RENOVATION INFORMATION

to be used on Full 203k loans only

FHA Case Number: \_\_\_\_\_ Date: \_\_\_\_\_

Borrower Names: \_\_\_\_\_

Loan Number \_\_\_\_\_

**Please review the important tips listed below about Renovation Mortgages and home improvement projects.**

1. For the Renovation Mortgage, you do not receive any cash at the loan closing. The funds provided for renovation are placed in an interest-bearing escrow account ("Escrow Account").
2. The lender will require that a contingency reserve be placed in the Escrow Account to cover unforeseen repairs or deficiencies during the renovation. **If funds remain in the account after the renovation is complete, they will be used to reduce the principal balance of your loan. Funds remaining in the account will not be sent back to you directly.**
3. When selecting a contractor, always review the contractor's references, licensing, and financial background. Ask the lender for a Contractor Profile form to assist in your review
4. You are responsible for negotiating any agreements or warranties with the contractor. The lender does not provide any warranty on the contractor or their work.
5. You are responsible for overseeing the renovation and ensuring that it is done as specified in the Construction Contract with the contractor. If work stops for an extended period of time, or there are problems with the work performed that may cause significant delays, you must contact the lender. The Lender can be contacted via e-mail [DrawRequest@EAloans.com](mailto:DrawRequest@EAloans.com)
6. If you are purchasing a home to renovate it, please note that the lender does not warrant or guarantee the condition of the property being purchased or the renovation.
7. If you are purchasing a home to renovate, the lender highly recommends hiring a 3<sup>rd</sup> party home inspector to inspect the property for unknown defects that may be costly and or hazardous.
8. You are responsible for making the mortgage payment each month, even if the renovation is not completed.
9. Do not approve or request funds to be released to the contractor if you are not happy with the work. Do not accept unsatisfactory work.
10. Do not pay the contractor out of your own funds.
11. The lender may withhold some of the funds from each Draw Request. These funds are paid to the contractor when the work is completed.
12. If you would like to revise the original approved renovation, you must submit a Change Order Request to the lender for prior Approval, and deposit any additional required funds (including a contingency reserve) into the Escrow Account held by the Lender.
13. When the renovation is completed, you and the contractor must sign a Mortgagor's Letter of Completion and a Conditional Waiver & Release. The lender will provide you an accounting for all distribution of funds deposited and withdrawn from the Escrow Account upon request.

**I acknowledge that I have read this Consumer Renovation Information and that I understand it.**

\_\_\_\_\_  
Borrower's Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Co-Borrower's Signature

\_\_\_\_\_  
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

**REHABILITATION LOAN AGREEMENT**

This Agreement, including the provisions below is made this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_ between the Borrower \_\_\_\_\_ and the Mortgagee \_\_\_\_\_ to establish the conditions under which the Mortgagee will advance the proceeds of a loan to be used to purchase and rehabilitate or refinance and rehabilitate the property described below. The property is located in the County of \_\_\_\_\_ State of \_\_\_\_\_ and is described as: \_\_\_\_\_

[Legal Description]

1. The loan will be in the principal sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_ ) to be advanced by the Mortgagee to the Borrower as provided in this Agreement and will be secured by a mortgage or deed of trust (“Mortgage”), which will be a first lien on the property.
2. Payments required under the mortgage or deed of trust must be made by the Borrower on the date specified, even though the proposed rehabilitation or improvement may not be completed, or the property may not be suitable for occupancy, on the anticipated date.
3. The Mortgagee intends to request the Assistant Secretary for Housing – Federal Housing Commissioner or the Secretary’s Designee (“Commissioner”) –to insure the mortgage under the provisions of Section 203(k) of the National Housing Act; therefore, Borrower agrees to conform to, and to cause improvements to be constructed in conformance with, all requirements of the Commissioner.
4. The Mortgagee will place the portion of the principal amount of the mortgage allocated to the total rehabilitation cost (\$ \_\_\_\_\_ ), plus any reserves put up by the Borrower or others in cash, in a secured interest bearing account, trust or escrow for the benefit of the Borrower (hereafter called “Rehabilitation Escrow Account”). Mortgagee shall release Rehabilitation Escrow Account funds by check, payable to the Borrower and/or the contractor, upon satisfactory completion of the rehabilitation in accordance with the Work Write-Up or Work Plan, as evidenced by a compliance inspection or other authorized method, and when the repairs and improvements meet all federal, state and local laws, codes and ordinances, including required permits and inspections.

The Mortgagee or Commissioner may determine that additional compliance inspections are required throughout the rehabilitation period to ensure that the work is progressing in a satisfactory manner. Release of funds is not authorized on this type of inspection, and the Borrower is responsible for paying the inspection fee. The Mortgagee may require a property inspection if there have been no draw requests for more than 30 consecutive days.

5. If a Mortgage Payment Reserve is included in the Rehabilitation Escrow Account, the Mortgagee must make monthly mortgage payments directly from the Rehabilitation Escrow Account, provided the dwelling, or individual units for which the Mortgage Payment Reserve is established, cannot be occupied and the Final Release Notice has not been issued. Once the property, or individual unit, if applicable, is able to be occupied, application of the Mortgage Payment Reserves will cease. Mortgage Payment Reserves remaining in the Rehabilitation Escrow Account after the property is able to be occupied must be used to reduce the mortgage principal.

6. The interest accumulated in the Rehabilitation Escrow Account will be distributed as required by the 203(k) Borrower's Acknowledgement, form HUD 92700-A.
7. The principal amount of the loan specified in paragraph 1 may contain a Contingency Reserve. The Contingency Reserve may be used to make other improvements to the property after it is determined that it is unlikely that any health or safety deficiency will be discovered. The Borrower or Consultant, if there is one, must submit form HUD-92577 to the Mortgagee detailing the additional improvements being requested. The Mortgagee will inform the Borrower in writing of the approval or rejection of the request within five business days.

If the Contingency Reserve is financed, any unused Contingency Reserve funds must be applied to reduce the mortgage principal. Such prepayment will not extend or postpone the due date of any monthly installment due under the Note and will not change the amount of such installments.

If the Contingency Reserve is established with the Borrower's own funds, the Borrower may receive a refund of any unused Contingency Reserve funds or may request the unused funds be applied to reduce the principal balance.

8. The Borrower will complete all improvements on the property in accordance with the Work Write-Up or Work Plan, including architectural exhibits, as accepted by the Mortgagee.
9. Changes in the architectural exhibits must be requested by the Borrower, either by a letter describing the changes or by submission of form HUD-92577, prior to the start of any work associated with the requested changes. The Mortgagee must issue an approval in writing before work can begin on the changes. Work must be 100% complete on each change order item before release of funds from the Rehabilitation Escrow Account.
10. Borrower will cause all improvements to be made in a workmanlike manner and in accordance with all applicable statutes and regulations. All licenses, permits and privileges required by local governmental authorities to rehabilitate the property will be obtained by the Borrower or contractor.
11. Representatives of the Mortgagee and of the Commissioner will have the right to enter upon the property at all times during the period of construction to determine whether the work conforms with this Agreement and to determine the amount of funds in the Rehabilitation Escrow Account to be released by the Mortgagee.
12. Borrower will furnish such records, contracts, bills and other documents relating to the property and the improvements as the Mortgagee or the Commissioner may require.
13. For a Borrower performing his/her own work under a Rehabilitation Self-Help Agreement, the Rehabilitation Escrow Account will include funds for labor and materials costs for each work item to be completed by the Borrower. The Borrower will be reimbursed for the actual cost of materials only. The Borrower cannot be reimbursed for labor. The funds resulting from the difference between the estimated and actual costs of materials, as well as the funds escrowed for labor costs, will remain in the Rehabilitation Escrow Account until all of the work is complete and may then be used for additional improvements to the property. No cash may be paid to the Borrower. Any funds for self-help items remaining in the Rehabilitation Escrow Account after completion of the rehabilitation must be used to reduce the principal balance.
14. Without prior, written consent of the Mortgagee, no materials, equipment, fixtures or any part of the improvements financed with this loan will be purchased or installed subject to conditional sales



contracts, security agreements, lease agreements or other arrangements whereby title is retained or the right is reserved or accrues to anyone to remove or repossess any item, or to consider it as personal property.

15. The Borrower will cause either this instrument or the construction contract under which improvements are to be made to be filed in the public records, if the effect of recording will be to relieve the mortgaged property from mechanics' and materialmen's liens. The Mortgagee must obtain Lien Waivers, or equivalent, at the time of any disbursement of funds to ensure the validity of the first lien on the property. If all work items to be performed by a contractor have not been completed at the time of draw request, the Mortgagee must obtain a partial conditional Lien Waiver for the work items that have been completed for each draw request. Upon completion of the project, the Mortgagee will obtain a release of any and all liens arising out of the contract or submission of receipts or other evidence of payment covering all contractors, subcontractors or suppliers who could file a legal claim.
16. Borrower must cause work to begin within 30 days following the date of this Agreement. Work must be performed with reasonable diligence; therefore, work is never to cease for more than 30 consecutive days. Should Borrower fail to comply with these terms, the Mortgagee may refuse to make any further disbursements under this Agreement, and any funds remaining in the Rehabilitation Escrow Account must be used to reduce the mortgage principal.
17. In the event any Stop Notices, Notices to Withhold, Mechanic's Liens, or claims of lien are filed against the property, the Mortgagee, after five (5) days' notice to the Borrower of its intention to do so, may pay any and all of the liens or claims, or may contest the validity of any claim, paying all costs and expenses of contesting the same.
18. Failure of the Borrower to perform under the terms of this Rehabilitation Loan Agreement will make the loan amount, at the option of the Mortgagee, due and payable.
19. The Borrower understands that the mortgage payments (PITI) that were financed at closing are estimates and the Borrower will be responsible for paying the full amount of the mortgage payment, each and every month due, if a shortage occurs.
20. The accepted Work Write-Up or Work Plan and architectural exhibits, if any, are incorporated in this Agreement.
21. Borrower must have the work completed within \_\_\_\_\_ months following the date of this Agreement.
22. Date work must be completed: \_\_\_\_\_

_____	_____	
Date	Signature of Borrower	
_____	_____	
Date	Signature of Co-Borrower	
_____	_____	_____
Date	Signature of Mortgagee Representative	Title of Mortgagee Representative

## FHA 203(K) DISCLOSURE

Property Address: \_\_\_\_\_  
\_\_\_\_\_

### Consultant's Identify-of-Interest Certification

(To be signed by all consultants and plan reviewers after preparing/reviewing the work write-up and cost estimate)

“I hereby certify that I have carefully inspected this property for compliance with the general acceptability requirements (including health and safety) in Handbook 4905.1. I have required as necessary and reviewed the architectural exhibits, including any applicable engineering and termite reports, and the estimated rehabilitation cost and they are acceptable for the rehabilitation of this property. I have no personal interest, present or prospective, in the property, applicant, or proceeds of the mortgage. I also certify that I have no identify-of-interest or conflict-of-interest with the borrower, seller, lender, realtor, appraiser, plan reviewer, contractor or subcontractor. To the best of my knowledge, I have reported all items requiring correction and that the rehabilitation proposal now meets all HUD requirements for 203(k) Rehabilitation Mortgage Insurance.”

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

\_\_\_\_\_  
Consultant/Plan Reviewer's Signature

\_\_\_\_\_  
Date

# FHA 203K DISCLOSURE

## Borrower's Identify-of-Interest Certification

**Borrower(s):** \_\_\_\_\_

**Property Address:** \_\_\_\_\_  
\_\_\_\_\_

“I/We hereby certify to the Department of Housing and Urban Development (HUD) and The Money Source Inc. (lender), that I/we do not have an identify-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 the transaction, including the realtor, lender, contractor, consultant and/or the appraiser. In addition, I/we certify that I/we am not obtaining any source of funds or acting as a “strawbuyer” for another individual, partnership, company or investment club and I/we \_\_\_ **will/will not** \_\_\_ **occupy** (select the appropriate response) the residence I/we are purchasing or refinancing”.

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

\_\_\_\_\_  
**Borrower's Signature**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Co-borrower's Signature**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Co-borrower's Signature**

\_\_\_\_\_  
**Date**

**LIMITED 203(k) REFINANCE TRANSACTION  
MAXIMUM BASE MORTGAGE CALCULATION**

<b>Borrower Name:</b>		<b>Loan ID:</b>	
<b>Borrower Address:</b>	Street Address		
	Address Line 2		
	City, State		
	Zip Code		
	County		

Step 1:	Establishing Financeable Repair and Improvement Costs, Fees, and Reserves		
A.	Financeable Repair and Improvement Costs & Fees Total (Sum of A1 through A4)		\$ _____
	1) Costs of construction, repairs, and rehabilitation	\$ _____	
	2) Inspection Fees (work performed during rehabilitation)	\$ _____	
	3) Title Update Fees	\$ _____	
	4) Permit Fees	\$ _____	
B.	Financeable Contingency Reserves		\$ _____
C.	Financeable Mortgage Fees Total (sum of C1 & C2)		\$ _____
	1) Origination Fee (greater of \$350 or 1.5% of sum of 1A+1B)	\$ _____	
	2) Discount Points on 1A	\$ _____	
<b>D.</b>	<b>Total Rehabilitation Costs, Fees, and Reserves (Sum of 1A , 1B, &amp; 1C) <i>Not to exceed \$35,000</i></b>		<b>\$ _____</b>
Step 2:	Establishing Value		
A.	Existing debt on property being refinanced		\$ _____
B.	Total Rehabilitation Costs, Fees, and Reserves (Step 1E)		\$ _____
C.	Fees Associated with the new loan		\$ _____
D.	Sum of 2A, 2B, & 2C	\$ _____	
E.	As-Is Property Value (As-Is appraisal required for properties acquired <12 months before case # assignment date (except gift/inheritance), <b>OR</b> if Step 2D > Step 2G)		\$ _____
F.	Adjusted As-Is Value (If As-Is appraisal is obtained, then the As-Is property value (Step 2E) = Adjusted As-Is Value, <b>OR</b> if As-Is appraisal <u>is not</u> obtained, then Step 2A + 2C = Adjusted As-Is Value)		\$ _____
<b>G</b>	<b>After-Improved Value (Appraisal subject to repairs and improvement)</b>		<b>\$ _____</b>
Step 3:	Calculating Maximum Mortgage Amount		
A.	Step 2D Total		\$ _____
B.	Sum of Step 2F & Step 2B (Adjusted As-Is Value + Total Rehab Costs)		\$ _____
C.	Step 2G (After-Improved Value ) x 110% (100% if Condo)		\$ _____
D.	Lesser of Step (3B or 3C) x LTV Factor from Step 3G	_____ %	\$ _____
E.	Nationwide Mortgage Limit		\$ _____
F.	Lesser of (3A, 3D, or 3E) = Initial Base Mortgage Amount		\$ _____
G.	Determining Loan-to-Value Factor for Maximum Mortgage Eligibility	_____ %	
	<b>Basics</b>	<b>Criteria</b>	<b>Maximum LTV Factor</b>
	MDCS	At or above 580	<input type="checkbox"/> 97.75%
	MDCS	Between 500 and 579	<input type="checkbox"/> 90%
	Secondary Residences	With HOC Approval	<input type="checkbox"/> 85%
	No Credit Score	Manual underwriting required	<input type="checkbox"/> 97.75%
<b>Note: MDCS = Minimum Decision Credit Score</b>			

Mortgagees must consult HUD Handbook 4000.1 for detailed guidance on 203(k) loan transactions.  
 Last Updated 3/23/16      LTD 203(k) REFINANCE (OWNED GREATER THAN OR EQUAL TO 12 MONTHS)

**LIMITED 203(k) REFINANCE TRANSACTION  
MAXIMUM BASE MORTGAGE CALCULATION**

<b>Step 4: Additions to Initial Base Mortgage Amount for EEM and /or Solar/Wind Energy</b> <i>Note: If no EEM or Solar/Wind addition, then Final Base Mortgage Amount (4G) = Step 3F</i>		
A.	Energy Efficient Mortgage (EEM) Improvement Amount	\$ _____
B.	Intermediate Base Mortgage Amount = Step 3F + Step 4A	\$ _____
C.	Solar/Wind Energy System Actual Cost	\$ _____
D.	Step 2G x 20% (After-Improved Value x 20%)	\$ _____
E.	Lesser of Step (4C or Step 4D) = Maximum Financeable Solar/Wind Energy Amount	\$ _____
F.	Step 3E x 120% (Nationwide Mortgage Limit x 120%)	\$ _____
<b>G.</b>	<b>Final Base Mortgage Amount = Lesser of (Sum of Step 4B + Step 4E) or Step 4F</b>	<b>\$ _____</b>
<b>Step 5: Calculating the LTV for Application of Annual MIP</b>		
A.	MIP LTV = 4G divided by 2G (Final Base Mortgage Amount divided by After-Improved Value)	_____ %
<b>Step 6: Establishing the Rehabilitation Escrow Account</b>		
A.	Repair and Improvement Costs, Fees, & Reserves (Step 1D)	\$ _____
B.	Initial Draw at Closing Total (Sum of B1 through B4)	\$ _____
	1) Permit Fees	\$ _____
	2) Origination Fees (Step 1: C1)	\$ _____
	3) Discount Points (Step 1: C2)	\$ _____
	4) Up to 50% of materials costs for items ordered by not yet paid for (under contract for delivery)	\$ _____
<b>C.</b>	<b>Rehabilitation Escrow Amount Balance for future draws = 6A minus 6B</b>	<b>\$ _____</b>

Underwriter Signature \_\_\_\_\_

CHUMS # \_\_\_\_\_

Underwriter Printed Name \_\_\_\_\_

Date \_\_\_\_\_

Mortgagees must consult HUD Handbook 4000.1 for detailed guidance on 203(k) loan transactions.

**LIMITED 203(k) PURCHASE TRANSACTION  
MAXIMUM MORTGAGE CALCULATION**

<b>Borrower Name:</b>		<b>Loan ID:</b>	
<b>Borrower Address:</b>	Street Address		
	Address Line 2		
	City, State		
	Zip Code		
	County		

<b>Step 1: Establishing Financeable Repair and Improvement Costs, Fees, and Reserves</b>			
A.	Repair and Improvement Costs & Fees Total (sum of A1 through A7)	\$ _____	
	1) Costs of construction, repairs, and rehabilitation	\$ _____	
	2) Inspection Fees (work performed during rehabilitation)	\$ _____	
	3) Title Update Fees	\$ _____	
	4) Permit Fees	\$ _____	
B.	Financeable Contingency Reserves	\$ _____	
C.	Financeable Mortgage Payment Reserves	\$ _____	
D.	Financeable Mortgage Fees Total (sum of D1 & D2)	\$ _____	
	1. Origination Fee (Greater of \$350 or 1.5% of sum of 1A, 1B, & 1C)	\$ _____	
	2. Discount Points on 1A	\$ _____	
<b>E</b>	<b>Total Rehabilitation Costs, Fees, and Reserves (Sum of 1A , 1B, 1C, &amp; 1D) Not to exceed \$35,000</b>	<b>\$ _____</b>	
<b>Step 2: Establishing Value</b>			
A.	Purchase Price	\$ _____	
B.	Inducement to Purchase	\$ _____	
C.	Purchase Price less Inducement to Purchase	\$ _____	
D.	As-Is Property Value (As-Is appraisal may be required to comply with property flipping guidelines)	\$ _____	
E.	Adjusted As-Is value (If As-Is appraisal is obtained, then As-Is property value (Step 2D) = Adjust As-Is Value, OR if As-Is appraisal is <u>not</u> obtained, then Step 2C = Adjusted As-Is Value)	\$ _____	
<b>F.</b>	<b>After-Improved Value (Appraisal subject to repairs and improvements)</b>	<b>\$ _____</b>	
<b>Step 3: Calculating Maximum Mortgage</b>			
A.	Step 2E + 1E (Adjusted As-Is Value + Step 1 Total)	\$ _____	
B.	Step 2F (After-Improved Value) X 110% (100% if Condo)	\$ _____	
C.	Lesser of 3A or 3B (\$ _____) x Maximum LTV Factor from 3F _____ %	\$ _____	
D.	Nationwide Mortgage Limit	\$ _____	
E.	Initial Base Mortgage Amount = Lesser of 3C or 3D	\$ _____	
F.	Determining Loan-To-Value Factor for Maximum Mortgage Eligibility _____ %	\$ _____	
	<b>Basics</b>	<b>Criteria</b>	<b>Maximum LTV Factor</b>
	MDCS	At or above 580	<input type="checkbox"/> 96.5%
	MDCS	Between 500 and 579	<input type="checkbox"/> 90%
	Secondary Residence	With HOC Approval	<input type="checkbox"/> 85%
	No Credit Score	Manual Underwriting Required	<input type="checkbox"/> 96.5%

**Note: MDCS = Minimum Decision Credit Score**

Mortgagees must consult HUD Handbook 4000.1 for detailed guidance on 203(k) loan transactions.

**LIMITED 203(k) PURCHASE TRANSACTION  
MAXIMUM MORTGAGE CALCULATION**

<b>Step 4: Additions to Initial Base Mortgage Amount for EEM and /or Solar/Wind Energy</b>		
<i>Note: If no EEM or Solar/Wind additions, then initial Base Mortgage Amount (3F) = Final Base Mortgage Amount (4G)</i>		
A.	Energy Efficient Mortgage (EEM) Improvement Amount	\$ _____
B.	Step 3E + Step 4A (Initial Base Mortgage Amount + EEM Improvement Amount)	\$ _____
C.	Solar/Wind Energy System Actual Cost	\$ _____
D.	Step 2F x 20% (After-Improved Value x 20%)	\$ _____
E.	Lesser of (Step 4C or Step 4D) = Maximum Financeable Solar/Wind Energy Amount	\$ _____
F.	Step 3E x 120% (Nationwide Mortgage Limit x 120%)	\$ _____
<b>G. Final Base Mortgage Amount = Lesser of (Sum of Step 4B + Step 4E) or Step 4F</b>		<b>\$ _____</b>
<b>Step 5: Calculating the LTV for Application of Annual MIP</b>		
A.	MIP LTV = 4G divided by 2F (Final Base Mortgage Amount divided by After Improved Value)	_____ %
<b>Step 6: Establishing the Rehabilitation Escrow Account</b>		
A.	Repair and Improvement Costs, Fees, & Reserves (Step 1E Total)	\$ _____
B.	Initial Draw at Closing Total (Sum of B1 through B7)	\$ _____
	1) Permit Fees	\$ _____
	2) Origination Fees (Step 1: D1)	\$ _____
	3) Discount Points (Step 1: D2)	\$ _____
	4) Material costs for items ordered & prepaid by the Borrower or contractor under contract for delivery.	\$ _____
	5) Up to 50% of materials costs for items ordered but not yet paid for	\$ _____
<b>D.</b>	<b>Rehabilitation Escrow Amount Balance for Future Draws = 6A minus 6B</b>	<b>\$ _____</b>

**Underwriter Signature** \_\_\_\_\_ **CHUMS #** \_\_\_\_\_

**Underwriter Printed Name** \_\_\_\_\_ **Date** \_\_\_\_\_



**STANDARD 203(K) REFINANCE TRANSACTION  
MAXIMUM MORTGAGE CALCULATION**

<b>Borrower Name:</b>	<input type="text"/>	<b>Loan ID:</b>	<input type="text"/>
<b>Borrower Address:</b>	Street Address	<input type="text"/>	
	Address Line 2	<input type="text"/>	
	City, State	<input type="text"/>	
	Zip Code	<input type="text"/>	
	County	<input type="text"/>	

<b>Step 1: Establishing Financeable Repair and Improvement Costs, Fees, and Reserves</b>			
A.	Repair and Improvement Costs & Fees Total (Sum of A1 through A7)		\$ _____
	1) Costs of construction, repairs, and rehabilitation	\$ _____	
	2) Architectural or Engineering Professional Fees	\$ _____	
	3) 203(k) Consultant Fees	\$ _____	
	4) Inspection Fees (work performed during rehabilitation)	\$ _____	
	5) Title Update Fees	\$ _____	
	6) Permit Fees	\$ _____	
	7) Feasibility Study, when necessary	\$ _____	
B.	Financeable Contingency Reserves		\$ _____
C.	Financeable Mortgage Payments Reserves		\$ _____
D.	Financeable Mortgage Fees Total (Sum of D1 and D2)		\$ _____
	1) Origination Fee (Greater of \$350 or 1.5% of (Sum of 1A, 1B, and 1C))	\$ _____	
	2) Discount Points on 1A	\$ _____	
E.	<b>Total Rehabilitation Costs, Fees, and Reserves (Sum of 1A , 1B, 1C, &amp; 1D)</b>		<b>\$ _____</b>
<b>Step 2: Establishing Value</b>			
A.	Existing debt on property being refinanced		\$ _____
B.	Total Rehabilitation Costs, Fees, and Reserves (Step 1E)		\$ _____
C.	Fees Associated with the new loan		\$ _____
D.	Sum of 2A, 2B, & 2C	\$ _____	
E.	As-Is Property Value (As-Is appraisal required for properties acquired <12 months before case # assignment date (except gift/inheritance), <b>OR</b> if Step 2D >Step 2G)		\$ _____
F.	Adjusted As-Is Value (If As-Is appraisal is obtained, then the As-Is property value (Step 2E) = Adjusted As-Is Value, <b>OR</b> if As-Is appraisal <u>is not</u> obtained, then Step 2A + 2C = Adjusted As-Is Value)		\$ _____
G.	<b>After-Improved Value (Appraisal subject to repairs and improvement)</b>		<b>\$ _____</b>
<b>Step 3: Calculating Maximum Mortgage Amount</b>			
A.	Step 2D total (Sum of 2A, 2B, & 2C)		\$ _____
B.	Sum of Step 2F + Step 2B (Adjusted As-Is Value + Total Rehab Costs)		\$ _____
C.	Step 2G (After-Improved Value) x 110% (100% if Condo)		\$ _____
D.	Lesser of (Step 3B or 3C) x Maximum LTV Factor from Step 3G	_____ %	\$ _____
E.	Nationwide Mortgage Limit		\$ _____
F.	Lesser of (3A, 3D, or 3E) = Initial Base Mortgage Amount		\$ _____
G.	<b>Determine Loan-to-Value Factor for Maximum Mortgage Eligibility</b>	_____ %	
	<b>Basics</b>	<b>Criteria</b>	<b>Maximum LTV Factor</b>
	MDCS	At or above 580	<input type="checkbox"/> 97.75%
	MDCS	Between 500 and 579	<input type="checkbox"/> 90%
	Secondary Residence	With HOC Approval	<input type="checkbox"/> 85%
	No Credit Score	Manual underwriting required	<input type="checkbox"/> 97.75%
<b>Note: MDCS = Minimum Decision Credit Score</b>			

Mortgagees must consult HUD Handbook 4000.1 for detailed guidance on 203(k) loan transactions.

**STANDARD 203(K) REFINANCE TRANSACTION  
MAXIMUM MORTGAGE CALCULATION**

<b>Step 4:</b>	<b>Additions to Initial Base Mortgage Amount for EEM and/or Solar/Wind Energy</b>	
	<b>Note: If no EEM or Solar/Wind additions, then Initial Base Mortgage Amount (3F) = Final Base Mortgage Amount (4G)</b>	
A.	Energy Efficient Mortgage (EEM) Improvement Amount	\$ _____
B.	Step 3F + Step 4A (Initial Base Mortgage Amount + EEM Improvement Amount)	\$ _____
C.	Solar/Wind Energy System Actual Cost	\$ _____
D.	Step 2G x 20% (After-Improved Value x 20%)	\$ _____
E.	Lesser of (Step 4C or Step 4D) = Maximum Financeable Solar/Wind Energy Amount	\$ _____
F.	Step 3E x 120% (Nationwide Mortgage Limit x 120%)	\$ _____
<b>G.</b>	<b>Final Base Mortgage Amount = Lesser of (Sum of Step 4B + Step 4E) or Step 4F</b>	<b>\$ _____</b>
<b>Step 5:</b>	<b>Calculating the LTV for Application of Annual MIP</b>	
A.	Repair and Improvement Costs, Fees, & Reserves (Step 1 Total)	\$ _____
B.	Initial Draw at Closing Total (Sum of B1 through B7)	\$ _____
	1) 203(k) Consultant Fees	\$ _____
	2) Architectural or Engineering Fees	\$ _____
	3) Permit Fees	\$ _____
	4) Origination Fee (Step 1: D1)	\$ _____
	5) Discount Points (Step 1: D2)	\$ _____
	6) Material costs for items ordered & prepaid by Borrower/or contractor under contract for delivery	\$ _____
	7) Up to 50% of materials costs for items ordered but not yet paid for	\$ _____
<b>C.</b>	<b>Rehabilitation Escrow Amount Balance for future Draws = 6A minus 6B</b>	<b>\$ _____</b>

**Underwriter Signature** \_\_\_\_\_ **CHUMS #** \_\_\_\_\_

**Underwriter Printed Name** \_\_\_\_\_ **Date** \_\_\_\_\_

**MAXIMUM BASE MORTGAGE CALCULATION  
STANDARD 203(k) PROGRAM  
PURCHASE TRANSACTION**

<b>Borrower Name:</b>		<b>Loan ID:</b>	
<b>Borrower Address:</b>	Street Address		
	Address Line 2		
	City, State		
	Zip Code		
	County		

Step 1:	Establishing Financeable Repair and Improvement Costs, Fees, and Reserves		
A.	Repair and Improvement Costs & Fees Total (Sum of A1 through A7)		\$ _____
	1) Costs of construction, repairs, and rehabilitation	\$ _____	
	2) Architectural or Engineering Professional Fees	\$ _____	
	3) 203(k) Consultant Fees	\$ _____	
	4) Inspection Fees (for work performed during rehabilitation)	\$ _____	
	5) Title Update Fees	\$ _____	
	6) Permit Fees	\$ _____	
	7) Feasibility Study, when necessary	\$ _____	
B.	Financeable Contingency Reserves		\$ _____
C.	Financeable Mortgage Payments Reserves		\$ _____
D.	Financeable Mortgage Fees Total (Sum of D1 and D2)		\$ _____
	1) Origination Fee (Greater of \$350 or 1.5% of Sum of 1A, 1B, and 1C)	\$ _____	
	2) Discount Points on 1A	\$ _____	
<b>E.</b>	<b>Total Rehabilitation Costs, Fees, and Reserves (Sum of 1A, 1B, 1C, &amp; 1D)</b>		<b>\$ _____</b>
Step 2:	Establishing Value		
A.	Purchase Price	\$ _____	
B.	Inducement to Purchase	\$ _____	
C.	Purchase Price Less Inducement to Purchase		\$ _____
D.	As-Is Property Value (As-Is appraisal may be required to comply with property flipping guidelines)		\$ _____
E.	Adjusted As-Is Value If As-(If appraisal is obtained, then the As-Is property value (Step 2D) = Adjusted As-Is Value, <b>OR</b> if As-Is appraisal <u>is not</u> obtained, then Step 2C = Adjusted As-Is Value)		\$ _____
<b>F.</b>	<b>After-Improved Value (Appraisal subject to repairs and improvements)</b>		<b>\$ _____</b>
Step 3:	Calculating Maximum Mortgage		
A.	Step 2E + Step 1E (Adjusted As-Is Value + Step 1 Total)		\$ _____
B.	Step 2F (After-Improved Value) X 110% (100% if Condo)		\$ _____
C.	Lesser of 3A or 3B (\$ _____) x Maximum LTV Factor from 3F _____ %		\$ _____
D.	Nationwide Mortgage Limit		\$ _____
E.	Initial Base Mortgage Amount = Lesser of 3C or 3D		\$ _____
F.	Determining Loan-to-Value Factor for Maximum Mortgage Eligibility _____ %		
	<b>Basics</b>	<b>Criteria</b>	<b>Maximum LTV Factor</b>
	MDCS	At or above 580	<input type="checkbox"/> 96.5%
	MDCS	Between 500 and 579	<input type="checkbox"/> 90%
	Secondary Residence	With HOC Approval	<input type="checkbox"/> 85%
	No Credit Score	Manual underwriting required	<input type="checkbox"/> 96.5%

**Note: MDCS = Minimum Decision Credit Score**

Mortgagees must consult HUD Handbook 4000.1 for detailed guidance on 203(k) loan transactions.

**MAXIMUM BASE MORTGAGE CALCULATION  
STANDARD 203(k) PROGRAM  
PURCHASE TRANSACTION**

<b>Step 4: Additions to Initial Base Mortgage Amount for EEM and/or Solar/Wind Energy</b>		
<b>Note: If no EEM or Solar/Wind additions, then Initial Base Mortgage Amount (3F) = Final Base Mortgage Amount (4G)</b>		
A.	Energy Efficiency Mortgage (EEM) Improvement Amount	\$ _____
B.	Step 3E + Step 4A (Initial Base Mortgage Amount + EEM Improvement Amount)	\$ _____
C.	Solar/Wind Energy System Actual Cost	\$ _____
D.	Step 2F x 20% (After-Improved Value x 20%)	\$ _____
E.	Lesser of (Step 4C or Step 4D) = Maximum Financeable Solar/Wind Energy Amount	\$ _____
F.	Step 3E x 120% (Nationwide Mortgage Limit x 120%)	\$ _____
<b>G.</b>	<b>Final Base Mortgage Amount = Lesser of (Sum of Step 4B + Step 4F)</b>	<b>\$ _____</b>
<b>Step 5: Calculating the LTV for Application of Annual MIP</b>		
A.	<b>MIP LTV = 4G divided by 2F (Base Mortgage Amount divided by After-Improved Value)</b>	<b>_____ %</b>
<b>Step 6: Establishing the Rehabilitation Escrow Account</b>		
A.	Repair and Improvement Costs, Fees, & Reserves (Step 1E)	\$ _____
B.	Initial Draw at Closing Total (Sum of B1 through B7)	\$ _____
	1) 203(k) Consultant Fees	\$ _____
	2) Architectural or Engineering Fees	\$ _____
	3) Permit Fees	\$ _____
	4) Origination Fee (Step 1: D1)	\$ _____
	5) Discount Points (Step 1: D2)	\$ _____
	6) Material costs for items ordered & prepaid by Borrower/or contractor (under contract for delivery)	\$ _____
	7) Up to 50% of materials costs for items ordered but not yet paid for (under contract for delivery)	\$ _____
<b>C.</b>	<b>Rehabilitation Escrow Amount Balance for future draws = 6A minus 6B</b>	<b>\$ _____</b>

**Underwriter Signature** \_\_\_\_\_ **CHUMS #** \_\_\_\_\_

**Underwriter Printed Name** \_\_\_\_\_ **Date** \_\_\_\_\_

# Draw Request Section 203(k)

**U.S. Department of Housing  
and Urban Development**  
Office of Housing

OMB Approval No. 2502-0527 (exp. 07/31/2017)

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

This information collection involves an expanded information requirement for lenders that originate and service Section 203(k) mortgages. The purpose of the information is to help mitigate program abuses. The expanded information focuses on the loan origination process and requires increased documentation and strengthened internal control procedures. Periodic reporting of the information is not required. The information also includes information that was voluntarily accepted by the 203(k) lending community. The information provides a more comprehensive basis for evaluating lender underwriting practices and thereby improves risk management of the 203(k) loan portfolio. Responses are required to obtain benefits under Section 203(k) of the National Housing Act (12 U.S.C. 1703). No assurance of confidentiality is provided.

Borrower's Name & Property Address	Lender's Name & Address	FHA Case Number	
		This Draw Number	Date

**I certify** that I have carefully inspected this property for compliance with the general acceptability requirements (including health and safety) in Handbook 4905.1. I have reviewed the attached architectural exhibits and the estimated rehabilitation costs listed in column 1, below; they are acceptable for the rehabilitation of this property. I have no personal interest, present or prospective, in the property, applicant, or proceeds of the mortgage. To the best of my knowledge, I have reported all items requiring correction and that the rehabilitation proposal now meets all HUD requirements for 203(k) Rehabilitation Mortgage Insurance.

<b>HUD-Accepted Consultant / Plan Reviewer's Signature &amp; Date</b>  X	Suggested Contingency Reserve Amount  %
--	---

	Construction Item	Total Escrow Col. 1	Total Cost of Rehabilitation				Inspector/Lender Adjusted Amounts		
			Previous Draw Totals Col. 2	%	Request for This Draw Col. 3	%	Col. 4	%	
1.	Masonry								1.
2.	Siding								2.
3.	Gutters/Downspouts								3.
4.	Roof								4.
5.	Shutters								5.
6.	Exteriors								6.
7.	Walks								7.
8.	Driveways								8.
9.	Painting (Ext.)								9.
10.	Caulking								10.
11.	Fencing								11.
12.	Grading								12.
13.	Windows								13.
14.	Weatherstrip								14.
15.	Doors (Ext.)								15.
16.	Doors (Int.)								16.
17.	Partition Wall								17.
18.	Plaster/Drywall								18.
19.	Decorating								19.
20.	Wood Trim								20.
21.	Stairs								21.
22.	Closets								22.
23.	Wood Floors								23.
24.	Finished Floors								24.
25.	Ceramic Tile								25.
26.	Bath Accesories								26.
27.	Plumbing								27.
28.	Electrical								28.
29.	Heating								29.
30.	Insulation								30.
31.	Cabinetry								31.
32.	Appliances								32.
33.	Basements								33.
34.	Cleanup								34.
35.	Miscellaneous								35.
<b>36.</b>	<b>Totals</b>								<b>36.</b>

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

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

This draw request is submitted for payment. All completed work has been done in a workmanlike manner. I hereby certify to the actual costs of rehabilitation as shown above in column 3. I understand that I cannot obtain additional monies from the rehabilitation escrow account without the approval of the lender. I also understand that a 10% holdback will not be released until all work is complete and it is determined that no mechanic's and materialmen's liens have been placed on the property. After the final inspection, the monies in the escrow account will be distributed as required by the 203(k) program procedures.

**Borrower's Signature**  Owner-Occupant  Investor/Builder  Date

This draw request is submitted for payment. All completed work has been done in a workmanlike manner. I understand that a 10% holdback will not be released until all work is completed and it is determined that no mechanic's and materialmen's liens have been placed on the property.

**General Contractor's Signature** (if any)  Date

I certify that I have carefully inspected this property on this date. The draw amounts are acceptable except as modified in column 4. I further certify that I have not accepted any work that is not yet completed in a workmanlike manner and I recommend that the rehabilitation escrow funds be released for the completed work.

**Inspector's Signature**  I.D. Number Date

Approved for Release	This Draw	Totals to Date	The Lender is hereby authorized to release the following funds from the escrow account	
Total from Above	\$	\$	Payable to the Borrower \$	Payable to the Fee Inspector \$
Less 10% Holdback	\$	\$	Payable to _____ \$	
Net Amount Due Borrower	\$	\$	Signature & Date <input type="checkbox"/> Lender-Authorized Agent <input checked="" type="checkbox"/> DE Underwriter <span style="float: right;">X</span>	

Lender Holding Rehabilitation Escrow Account (name, address, & phone number)

Originating Lender still Retains Funds

Rehab Funds Transferred to:

## Rehabilitation Inspection Report FHA Case Number

### I. Inspection of On-Site Repairs and/or Improvements Reveals

- |  |  |
|--|--|
| <p>1. <input type="checkbox"/> Unable to make inspection. (explain below)</p> <p>2. <input type="checkbox"/> Correction essential as explained below:</p> <p style="margin-left: 20px;">a. <input type="checkbox"/> Will examine at next inspection.</p> <p style="margin-left: 20px;">b. <input type="checkbox"/> Do not conceal until reinspected.</p> | <p>3. <input type="checkbox"/> No noncompliance observed.</p> <p>4. <input type="checkbox"/> Acceptable variations as described below.</p> <p>5. <input type="checkbox"/> On-site improvements acceptably completed.</p> |
|--|--|

**II. Explanation** of statements checked above Inspection Number

Draw Inspection  
  Contingency Reserve Inspection  
  Final Inspection  
  Change Order  
  Other (explain)

No.	No.

**Certification:** I certify that I have carefully inspected this property on this date. I have no personal interest, present or prospective, in the property, applicant, or proceeds of the mortgage. To the best of my knowledge I have reported all noncompliance, work requiring correction, and unacceptable work. I also certify that this Draw Request is for completed work and I have not accepted any work that is not properly installed in a workmanlike manner.

Signature & Date  Inspection Fee ID Number

Consultant / Inspector  
 Fee Inspector  
 DE Staff Inspector X

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**Instructions: Prior To Appraisal**

1. The Consultant or Plan Reviewer meets with the borrower (and contractor, if there is one) at the site to determine if cost estimates are acceptable. The cost of labor and materials (including overhead and profit, where necessary) must be shown. Borrowers doing their own work must include labor and material, in case they are unable to complete the work due to some unforeseen circumstance, and they must later subcontract out the work. Upon completion of the review, and if the cost estimates are acceptable, the Consultant or Plan Reviewer must sign the certification and return all exhibits to the lender.

2. Lender sends exhibits and a copy of the Draw Request form to the appraiser. The appraisal cannot be performed unless the Consultant or Plan Reviewer has signed the certification on the Draw Request form. Appraisers are instructed not to add additional work items to the list of construction items without the Consultant or Plan Reviewer assuring that the cost estimate for additional items are acceptable and included on the Draw Request form.

**Instructions: During Construction:**

1. If any construction work items were completed prior to closing the loan, an inspection of the work can occur one day after closing.

2. Borrower/contractor completes column 2 "Previous Draw Totals" with percent of completion on any of the construction items. On the first draw inspection, this column will be left blank. On subsequent draws, show the accepted amounts shown in columns 3 and 4 (from the previous draw).

3. Borrower/contractor completes column 3 "Request for This Draw" with the **actual cost of rehabilitation**, which includes materials, labor, overhead and profit. Materials cannot be paid for until they have been acceptably installed. For the investor/builder using the Escrow Commitment Procedure, the cost savings will be added to the escrow amount that is held by the lender for release when an acceptable owner-occupant assumes the loan.

The inspector will complete column 4 for each line item that is necessary to be adjusted. If no adjustments are required, column 4 will remain blank. In no case can the inspector approve a release of funds in excess of the amount requested by the borrower in column 3.

The DE Underwriter or the lender's authorized agent may reduce the amount of funds accepted (or revised) by the inspector by completing (or correcting) the amount shown in column 4. Where a correction has been made by the inspector or the lender, the revised total amount will be shown in line 36, column 4. When the DE Underwriter or the lender's authorized agent is satisfied with the Draw Request, the bottom of the form approving the release of funds will be completed.

**After the final draw inspection**, cost savings can be adjusted to pay for cost overruns in other construction items or additional improvements to the property that are approved by the Direct Endorsement (DE) Lender. An additional administration cost can be allowed under certain circumstances. Any remaining cost savings must be applied to the mortgage principal and will create greater equity in the property.

**Example 1:** If column 1 for Drywall is estimated for completion at \$1,500, and the work is 50% complete, but a signed contract is for \$1,200, then the Request for This Draw in column 3 cannot exceed \$600.

**Example 2:** If column 1 for Drywall is estimated for completion at \$1,500, and the work is 50% complete, but a signed contract is for \$1,800, then the Request for This Draw in column 3 cannot exceed \$750. At the end of rehabilitation, cost overruns can be adjusted for, provided there were savings in other construction items that were approved prior to closing.

4. The borrower and contractor must sign the certification on the Draw Request form. If a dispute exists, the lender must try to mediate the dispute to assure there are no mechanics or materialmens liens placed on the property. The lender may make checks out in both the borrower and contractors name to ensure proper distribution of escrowed funds and to assure no mechanics or materialmens liens. The borrower or contractor may initiate legal proceedings if an equitable agreement cannot be reached.

5. Under no circumstances can any construction item be paid for without the work being acceptably installed (e.g., materials on site cannot be included in the draw request). Upon completion, the inspector signs the Draw Request form, and the Rehabilitation Inspection Report and returns this form to the DE Lender, if applicable. The cost of the inspection should also be completed.

6. The DE who controls the Rehabilitation Escrow Account must provide an accounting of the escrow account to the borrower and HUD, showing the status of all monies in the escrow account. After the acceptable receipt of all necessary documentation, the escrow release (less 10% holdback) should occur within 48 hours. The accounting system must comply with Handbook 4240.4.



Property: \_\_\_\_\_

Applicant(s): \_\_\_\_\_

Loan #: \_\_\_\_\_

 Rehab Type:  Standard 203K  Limited 203k

 Municipality Type:  County  Town  City  Village  Other \_\_\_\_\_

Name of Municipality: \_\_\_\_\_ Phone No: (\_\_\_\_) \_\_\_\_\_

 **Refinance** Borrower(s) must provide written evidence, prior to closing, from local municipality (county/city/town/village, etc.) that they have applied for (and when possible, been granted) permits for all work items listed in their 203K plan which require permits

 **Purchase Borrower** does not own subject property yet, but must validate, prior to closing, with local municipality (county / city/town/village, etc.) which permits (if any) will be required for all work items listed in their 203K plan.

**ATTN: BUILDING DEPARTMENT/INSPECTOR:**

The property listed above is subject to renovations. Lending guidelines require that all necessary permits and inspections be obtained from local municipality authorities. *Please review the attached plans & specifications to determine if any permits are required for the outlined work. Please indicate below which permits/inspections will be required, or if already issued.*

CONTRACTOR NAME	ANTICIPATED WORK (General Description)	APPROX. COST
		\$
		\$
		\$

-Please use the back of this form to include additional information-

MUNICIPALITY TO COMPLETE				FOR INTERNAL USE ONLY		
PERMIT TYPE:	PERMIT REQUIRED?	INSPECTION REQUIRED?	COST OF EACH? (if any)	Financed into Loan Amount?	Permit obtained by customer prior to closing?	Permit to be obtained/coordinated by Draw Dept.?
GENERAL BLDG PERMIT	<input type="checkbox"/> Y / <input type="checkbox"/> N	<input type="checkbox"/> Y / <input type="checkbox"/> N	\$			
HVAC	<input type="checkbox"/> Y / <input type="checkbox"/> N	<input type="checkbox"/> Y / <input type="checkbox"/> N	\$			
ROOFING	<input type="checkbox"/> Y / <input type="checkbox"/> N	<input type="checkbox"/> Y / <input type="checkbox"/> N	\$			
ELECTRICAL	<input type="checkbox"/> Y / <input type="checkbox"/> N	<input type="checkbox"/> Y / <input type="checkbox"/> N	\$			
PLUMBING	<input type="checkbox"/> Y / <input type="checkbox"/> N	<input type="checkbox"/> Y / <input type="checkbox"/> N	\$			
OTHER	<input type="checkbox"/> Y / <input type="checkbox"/> N	<input type="checkbox"/> Y / <input type="checkbox"/> N	\$			
NO PERMITS REQUIRED	<input type="checkbox"/> Y / <input type="checkbox"/> N	<input type="checkbox"/> Y / <input type="checkbox"/> N	\$			

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

- 203K Consultant\* ID # \_\_\_\_\_ (\*By Signing, HUD Consultant certifies that s/he has verified the above information with the municipality)  
 City/Town/County Building Inspector/Code Enforcement Officer

**Borrower Acknowledgment/Notice to Mortgage Applicant:** You must take this form to your local municipality to be completed, or your HUD 203k Consultant, if applicable. *EA will not permit the scheduling of your closing without verification of required permits, for refinance or purchase transactions.*

→ Borrower(s) SELECT ONE:  IDO /  IDO NOT request the sum of all permits to be financed into my 203k Rehabilitation Escrow. ←

Borrower Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Borrower Signature: \_\_\_\_\_ Date: \_\_\_\_\_



# HOMEOWNER/CONTRACTOR AGREEMENT

Owner's Name(s):	Contractor's Name:
Address:	Address:
Telephone Number:      Work: Home:	Telephone Number:      Work: Home:
FHA Case No.:	License No.:

**THIS AGREEMENT**, made this date, \_\_\_\_\_, between the above mentioned Homeowner (Owner) and Contractor, is for the rehabilitation of the property located at

that has been approved for FHA mortgage insurance under Section 203(k) of the National Housing Act. The Owner(s) 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 the Lender. The work will begin within 30 days of loan closing with the Lender and will be completed by \_\_\_\_\_, unless delayed beyond the Contractor's control. The General Provisions listed below are made a part of this Agreement. The contract documents consist of the architectural exhibits listed in the Rehabilitation Loan Agreement between the Owner(s) and the Lender, or as described below (or on an attached sheet):

\_\_\_\_\_  
Owner(s) Signature(s) and Date

\_\_\_\_\_  
Owner(s) Signature(s) and Date

\_\_\_\_\_  
Owner(s) Signature(s) and Date

\_\_\_\_\_  
Owner(s) Signature(s) and Date

\_\_\_\_\_  
Contractor's Signature and Date

**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.

**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 the 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 and 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 proper 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 building permits and/or other permits, fees, inspections and 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 claim, damages, losses, expenses, legal fees or other costs arising or resulting from the contractors 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. All waste, rubbish, tools, construction materials, and machinery will be removed promptly after completion of the work by the contractor.

**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 the 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 loan closing and will not cease work for more than 30 consecutive days.

**9. Payments and Completion:** Payments may be withheld because of: (1) defective work not remedied; (2) failure of contractor to make proper payments to subcontractors, workers, or suppliers; (3) persistent failure to carry out work in accordance with this Agreement or these general conditions, or (4) 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 who could file 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 percent holdback is required by the lender to assure the work has been properly completed and there are no liens on the property.

**10. Protection of Property and Persons:** The contractor is responsible for initiating, maintaining, and supervising all necessary 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 sub-tier subcontractors.

**11. Insurance:** The contractor will purchase and maintain such 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 form HUD-92577) without invalidating the contract. Such changes must be in writing and signed by the owner and accepted by the lender. Not all change order requests may be accepted by the lender, therefore, the contractor proceeds at his/her own risk if work is completed without an accepted change order.

**13. Correction of Deficiencies:** The contractor must correct promptly any work of his/her own or 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 if 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 carry out the terms of the contract, the owner, after ten working days written notice to the contractor, may terminate this Agreement.

Applicants Initials \_\_\_\_\_

Contractors Initials \_\_\_\_\_

**CONTRACTORS RESUME (must be legible)**

Legal Name of Business: \_\_\_\_\_ Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

Address: Street: \_\_\_\_\_ ; City/State/Zip Code \_\_\_\_\_

Form of Business: Corp or S-Corp \_\_\_; LLC; \_\_\_; Sole Proprietorship \_\_\_; Partnership \_\_\_; Other \_\_\_\_\_

Email Address: \_\_\_\_\_ Business EIN# \_\_\_\_\_

**PRINCIPAL OWNERS**

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Address: \_\_\_\_\_ Phone: \_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Address: \_\_\_\_\_ Phone: \_\_\_\_\_

Date Business Started: \_\_\_\_\_ Type of Business: \_\_\_ General Contracting \_\_\_ Electric \_\_\_ Heating

\_\_\_ Plumbing \_\_\_ Roofing \_\_\_ Trade Contracting \_\_\_\_\_

**LICENSES (ATTACH COPIES OF ALL LICENSES)**

TYPE: \_\_\_ Electric \_\_\_ Heating \_\_\_ Plumbing \_\_\_ Roofing \_\_\_ Other \_\_\_\_\_

Municipality Issuing License \_\_\_\_\_

**CUSTOMER REFERENCES (Customers TMS may contact as a reference for work you have completed)**

Name	Full Address	Phone
_____	_____	_____
_____	_____	_____
_____	_____	_____

**MAJOR SUPPLIERS (List suppliers you have credit accounts with )**

Supplier Name/Materials	Date Opened	High Balance	Phone Number
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

**ANSWER ALL QUESTIONS BELOW**

1. Are any of your income taxes past due? \_\_\_\_\_ YES \_\_\_\_\_ NO
2. Have you or any principals of your company, or your company declared Bankruptcy \_\_\_\_\_ YES \_\_\_\_\_ NO
3. Are there any outstanding judgments or legal actions pending against you or your company \_\_\_\_\_ YES \_\_\_\_\_ NO

**TO: THE MONEY SOURCE INC.**

All information given in this document is true, correct and complete as of the date of this document. I/We authorize you to verify any information given. I/We authorize you to give information about me (us) and your credit experience with me/us to others.

I/We understand that you may request a credit report from a credit reporting agency in connection with this document or in connection with any update, extension or renewal of any credit you extend based upon this document.

We carry insurance to cover our work and guaranty these insurances are in full effect. Attached please find copies or all policies

I/We agree that you may keep this resume for your file.

\_\_\_\_\_  
Name of Applicant(s) Property Address

\_\_\_\_\_  
Signature/Title of Contractor Signature/Title of Contractor

## CONTRACTOR ACCEPTANCE CHECKLIST

This acceptance checklist is to be used by an EALS Staff Underwriter when reviewing and accepting contractors for participation in EA Rehab product. This form is valid for life-of loan only, and is not transferable from loan to loan.

Case # \_\_\_\_\_

Borrower \_\_\_\_\_

Property \_\_\_\_\_

Item to be reviewed	Description of Contractor/Underwriter Due Diligence Expected
A-Contractor resume	Contractor to provide fully executed Resume: UW to review for completion/content
B-Liability Insurance	UW to review currently dated policy: contractor has liability insurance in bus name
C-Google/Web search	UW to search on line resources for contractor existence and any negative information. If unable to find anything, reach out to Risk for additional assistance.
D-References	UW to call at least one reference listed to assure customer satisfaction with Contractor
E-Licenses	Contractor to provide any licenses held, if local municipality requires licensing in that speciality
F-Other	List items reviewed (IE; Business credit report, public records, BBB reports, etc.)

#	Contractor	A Contractor Resume	B Liability Ins	C Web Search	D References Called	E Licenses (if applicable)	F Other
1.							
2.							
3.							
4.							

Comments:

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\_\_\_\_\_  
UW Signature

\_\_\_\_\_  
Date



## RENOVATION LOAN INDEMNITY AGREEMENT

Contractor: \_\_\_\_\_

Borrower(s): \_\_\_\_\_

Property Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Loan Number: \_\_\_\_\_

Lender: The Money Source Inc., dba Endeavor America Loan Services

This agreement is made for the purpose of providing certain indemnifications to the Loan Disbursement Administrator and Lender, their agents, successors and/or assigns (hereinafter collectively referred to as "Indemnities").

WHEREAS Contractor and Borrower have entered into an agreement for Contractor to construct certain improvements on the Property, and;

WHEREAS Contractor has acknowledged that it does not carry a General Liability Insurance Policy, and;

WHEREAS Indemnities' underwriting requirements necessitate that the Contractor carry General Liability Insurance in amounts acceptable to Indemnities, and;

WHEREAS Borrower acknowledges that Borrower understands that Contractor has no such General Liability Insurance coverage, and;

WHEREAS as an inducement to Indemnities to make a loan on said Property and waive their policy that generally requires a General Liability Insurance Policy covering the Contractor.

NOW THEREFORE, FOR VALUE RECEIVED, the undersigned jointly and severally agree to indemnify, save, and hold harmless Indemnities, their agents, successors and/or assigns, from any and all claims, actions, damages, liabilities or litigation arising out of the construction that would generally be covered by a general liability policy.

In the event of any cause of action or claim asserted by a party to this Agreement or any third party, Indemnities will provide the undersigned notice of such claim, dispute or notice. Thereafter, the undersigned shall, at its own expense, faithfully and completely defend and protect the Indemnities against any and all liabilities arising from this claim, cause of action and/or notice.

If the undersigned should fail to so successfully defend, the Indemnities may defend, pay or settle the claim with full rights of recourse against the undersigned for any and all fees, costs, expenses, and payments, including but not limited to attorney fees and settlement payments, made or agreed to be paid, in order to discharge the claim, cause of action, dispute or litigation.

This Agreement is binding upon and is to insure to the benefit of the parties, their successors, assigns, and personal representatives.

Contractor's Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Printed Name: \_\_\_\_\_ Title: \_\_\_\_\_

Borrower's Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Co-Borrower's Signature: \_\_\_\_\_ Date: \_\_\_\_\_

# RENOVATION LOAN BORROWER'S DISCLOSURE

Borrower(s): \_\_\_\_\_

Property Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Loan Number: \_\_\_\_\_

Borrower 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 collectively called "Lender") as follows:

Borrower acknowledges that Borrower 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 construction 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 or workmanship.

Borrower acknowledges 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 and Urban Development (hereinafter referred to as "HUD"), USDA, or Fannie Mae 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, USDA, FNMA or Lender.

Borrower understands that this acknowledgment is 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 acknowledgment in advancing such loan proceeds. Further, Borrower agrees to indemnify and hold Lender, its agents, successors and/or assigns, 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 further agrees to indemnify and hold Lender, its agents, successors and/or assigns, harmless from any claims by or against the Contractor or any subcontractors or material suppliers for any and all reasons.

EXECUTED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

\_\_\_\_\_  
Borrower's Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Co-Borrower's Signature

\_\_\_\_\_  
Date

# IMPORTANT NOTICE REGARDING CONTINGENCY FUNDS ON RENOVATION LOANS

## ***EACH CONTRACTOR MUST SIGN AND DATE THIS DISCLOSURE***

A contingency fund is for the sole purpose of unforeseen issues that develop as a result of the proposed scope of work detailed in the lender approved agreements.

**THEREFORE, THE CONTINGENCY FUND IS NOT AUTHORIZED TO BE USED FOR WORK THAT IS UNRELATED TO THE SCOPE OF WORK IN THE LENDER APPROVED AGREEMENTS.**

**FURTHERMORE, THE FUNDS CAN ONLY BE USED WITH APPROVAL FROM THE LENDER PRIOR TO THE WORK STARTING.**

In order to request lender approval for any qualified changes, Borrower(s) and Contactor must submit to the Lender a fully completed and executed change order request using the form, HUD- 92577 "Request for Acceptance of Changes".

**ALL PAYMENTS TO THE CONTRACTOR FOR ANY CHANGES IS SOLELY THE RESPONSIBILITY OF THE BORROWER IF THE BORROWER ALLOWS ADDITIONAL WORK TO BE PERFORMED WITHOUT PRIOR WRITTEN LENDER APPROVAL.**

By signing below, you are acknowledging that you understand the procedures and requirements for the use of the contingency funds and fully accept your responsibility as stated above.

\_\_\_\_\_  
CONTRACTOR'S COMPANY NAME

\_\_\_\_\_  
BORROWER'S SIGNATURE

\_\_\_\_\_  
CONTRACTOR'S SIGNATURE

\_\_\_\_\_  
CO-BORROWER'S SIGNATURE

\_\_\_\_\_  
EXECUTED BY (Please Print Clearly)

\_\_\_\_\_  
DATE



## Request for Taxpayer Identification Number and Certification

**Give Form to the  
 requester. Do not  
 send to the IRS.**

<b>Print or type See Specific Instructions on page 2.</b>	Name (as shown on your income tax return)	
	Business name/disregarded entity name, if different from above	
	Check appropriate box for federal tax classification (required): <input type="checkbox"/> Individual/sole proprietor <input type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate	
	<input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=partnership) ▶ _____	
	<input type="checkbox"/> Other (see instructions) ▶ _____	
Address (number, street, and apt. or suite no.)		Requester's name and address (optional)
City, state, and ZIP code		
List account number(s) here (optional)		

### Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on the "Name" line to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

Social security number									

**Note.** If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

Employer identification number									

### Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
3. I am a U.S. citizen or other U.S. person (defined below).

**Certification instructions.** You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions on page 4.

<b>Sign Here</b>	Signature of U.S. person ▶ _____	Date ▶ _____
------------------	----------------------------------	--------------

### General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

#### Purpose of Form

A person who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) to report, for example, income paid to you, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and, when applicable, to:

1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
2. Certify that you are not subject to backup withholding, or
3. Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income.

**Note.** If a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

**Definition of a U.S. person.** For federal tax purposes, you are considered a U.S. person if you are:

- An individual who is a U.S. citizen or U.S. resident alien,
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States,
- An estate (other than a foreign estate), or
- A domestic trust (as defined in Regulations section 301.7701-7).

**Special rules for partnerships.** Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax on any foreign partners' share of income from such business. Further, in certain cases where a Form W-9 has not been received, a partnership is required to presume that a partner is a foreign person, and pay the withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid withholding on your share of partnership income.

The person who gives Form W-9 to the partnership for purposes of establishing its U.S. status and avoiding withholding on its allocable share of net income from the partnership conducting a trade or business in the United States is in the following cases:

- The U.S. owner of a disregarded entity and not the entity,
- The U.S. grantor or other owner of a grantor trust and not the trust, and
- The U.S. trust (other than a grantor trust) and not the beneficiaries of the trust.

**Foreign person.** If you are a foreign person, do not use Form W-9. Instead, use the appropriate Form W-8 (see Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities).

**Nonresident alien who becomes a resident alien.** Generally, only a nonresident alien individual may use the terms of a tax treaty to reduce or eliminate U.S. tax on certain types of income. However, most tax treaties contain a provision known as a “saving clause.” Exceptions specified in the saving clause may permit an exemption from tax to continue for certain types of income even after the payee has otherwise become a U.S. resident alien for tax purposes.

If you are a U.S. resident alien who is relying on an exception contained in the saving clause of a tax treaty to claim an exemption from U.S. tax on certain types of income, you must attach a statement to Form W-9 that specifies the following five items:

1. The treaty country. Generally, this must be the same treaty under which you claimed exemption from tax as a nonresident alien.
2. The treaty article addressing the income.
3. The article number (or location) in the tax treaty that contains the saving clause and its exceptions.
4. The type and amount of income that qualifies for the exemption from tax.
5. Sufficient facts to justify the exemption from tax under the terms of the treaty article.

**Example.** Article 20 of the U.S.-China income tax treaty allows an exemption from tax for scholarship income received by a Chinese student temporarily present in the United States. Under U.S. law, this student will become a resident alien for tax purposes if his or her stay in the United States exceeds 5 calendar years. However, paragraph 2 of the first Protocol to the U.S.-China treaty (dated April 30, 1984) allows the provisions of Article 20 to continue to apply even after the Chinese student becomes a resident alien of the United States. A Chinese student who qualifies for this exception (under paragraph 2 of the first protocol) and is relying on this exception to claim an exemption from tax on his or her scholarship or fellowship income would attach to Form W-9 a statement that includes the information described above to support that exemption.

If you are a nonresident alien or a foreign entity not subject to backup withholding, give the requester the appropriate completed Form W-8.

**What is backup withholding?** Persons making certain payments to you must under certain conditions withhold and pay to the IRS a percentage of such payments. This is called “backup withholding.” Payments that may be subject to backup withholding include interest, tax-exempt interest, dividends, broker and barter exchange transactions, rents, royalties, nonemployee pay, and certain payments from fishing boat operators. Real estate transactions are not subject to backup withholding.

You will not be subject to backup withholding on payments you receive if you give the requester your correct TIN, make the proper certifications, and report all your taxable interest and dividends on your tax return.

#### Payments you receive will be subject to backup withholding if:

1. You do not furnish your TIN to the requester,
2. You do not certify your TIN when required (see the Part II instructions on page 3 for details),
3. The IRS tells the requester that you furnished an incorrect TIN,
4. The IRS tells you that you are subject to backup withholding because you did not report all your interest and dividends on your tax return (for reportable interest and dividends only), or
5. You do not certify to the requester that you are not subject to backup withholding under 4 above (for reportable interest and dividend accounts opened after 1983 only).

Certain payees and payments are exempt from backup withholding. See the instructions below and the separate Instructions for the Requester of Form W-9.

Also see *Special rules for partnerships* on page 1.

### Updating Your Information

You must provide updated information to any person to whom you claimed to be an exempt payee if you are no longer an exempt payee and anticipate receiving reportable payments in the future from this person. For example, you may need to provide updated information if you are a C corporation that elects to be an S corporation, or if you no longer are tax exempt. In addition, you must furnish a new Form W-9 if the name or TIN changes for the account, for example, if the grantor of a grantor trust dies.

### Penalties

**Failure to furnish TIN.** If you fail to furnish your correct TIN to a requester, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

**Civil penalty for false information with respect to withholding.** If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a \$500 penalty.

**Criminal penalty for falsifying information.** Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

**Misuse of TINs.** If the requester discloses or uses TINs in violation of federal law, the requester may be subject to civil and criminal penalties.

### Specific Instructions

#### Name

If you are an individual, you must generally enter the name shown on your income tax return. However, if you have changed your last name, for instance, due to marriage without informing the Social Security Administration of the name change, enter your first name, the last name shown on your social security card, and your new last name.

If the account is in joint names, list first, and then circle, the name of the person or entity whose number you entered in Part I of the form.

**Sole proprietor.** Enter your individual name as shown on your income tax return on the “Name” line. You may enter your business, trade, or “doing business as (DBA)” name on the “Business name/disregarded entity name” line.

**Partnership, C Corporation, or S Corporation.** Enter the entity's name on the “Name” line and any business, trade, or “doing business as (DBA) name” on the “Business name/disregarded entity name” line.

**Disregarded entity.** Enter the owner's name on the “Name” line. The name of the entity entered on the “Name” line should never be a disregarded entity. The name on the “Name” line must be the name shown on the income tax return on which the income will be reported. For example, if a foreign LLC that is treated as a disregarded entity for U.S. federal tax purposes has a domestic owner, the domestic owner's name is required to be provided on the “Name” line. If the direct owner of the entity is also a disregarded entity, enter the first owner that is not disregarded for federal tax purposes. Enter the disregarded entity's name on the “Business name/disregarded entity name” line. If the owner of the disregarded entity is a foreign person, you must complete an appropriate Form W-8.

**Note.** Check the appropriate box for the federal tax classification of the person whose name is entered on the “Name” line (Individual/sole proprietor, Partnership, C Corporation, S Corporation, Trust/estate).

**Limited Liability Company (LLC).** If the person identified on the “Name” line is an LLC, check the “Limited liability company” box only and enter the appropriate code for the tax classification in the space provided. If you are an LLC that is treated as a partnership for federal tax purposes, enter “P” for partnership. If you are an LLC that has filed a Form 8832 or a Form 2553 to be taxed as a corporation, enter “C” for C corporation or “S” for S corporation. If you are an LLC that is disregarded as an entity separate from its owner under Regulation section 301.7701-3 (except for employment and excise tax), do not check the LLC box unless the owner of the LLC (required to be identified on the “Name” line) is another LLC that is not disregarded for federal tax purposes. If the LLC is disregarded as an entity separate from its owner, enter the appropriate tax classification of the owner identified on the “Name” line.

**Other entities.** Enter your business name as shown on required federal tax documents on the "Name" line. This name should match the name shown on the charter or other legal document creating the entity. You may enter any business, trade, or DBA name on the "Business name/disregarded entity name" line.

**Exempt Payee**

If you are exempt from backup withholding, enter your name as described above and check the appropriate box for your status, then check the "Exempt payee" box in the line following the "Business name/disregarded entity name," sign and date the form.

Generally, individuals (including sole proprietors) are not exempt from backup withholding. Corporations are exempt from backup withholding for certain payments, such as interest and dividends.

**Note.** If you are exempt from backup withholding, you should still complete this form to avoid possible erroneous backup withholding.

The following payees are exempt from backup withholding:

1. An organization exempt from tax under section 501(a), any IRA, or a custodial account under section 403(b)(7) if the account satisfies the requirements of section 401(f)(2),
  2. The United States or any of its agencies or instrumentalities,
  3. A state, the District of Columbia, a possession of the United States, or any of their political subdivisions or instrumentalities,
  4. A foreign government or any of its political subdivisions, agencies, or instrumentalities, or
  5. An international organization or any of its agencies or instrumentalities.
- Other payees that may be exempt from backup withholding include:
6. A corporation,
  7. A foreign central bank of issue,
  8. A dealer in securities or commodities required to register in the United States, the District of Columbia, or a possession of the United States,
  9. A futures commission merchant registered with the Commodity Futures Trading Commission,
  10. A real estate investment trust,
  11. An entity registered at all times during the tax year under the Investment Company Act of 1940,
  12. A common trust fund operated by a bank under section 584(a),
  13. A financial institution,
  14. A middleman known in the investment community as a nominee or custodian, or
  15. A trust exempt from tax under section 664 or described in section 4947.

The following chart shows types of payments that may be exempt from backup withholding. The chart applies to the exempt payees listed above, 1 through 15.

IF the payment is for . . .	THEN the payment is exempt for . . .
Interest and dividend payments	All exempt payees except for 9
Broker transactions	Exempt payees 1 through 5 and 7 through 13. Also, C corporations.
Barter exchange transactions and patronage dividends	Exempt payees 1 through 5
Payments over \$600 required to be reported and direct sales over \$5,000 <sup>1</sup>	Generally, exempt payees 1 through 7 <sup>2</sup>

<sup>1</sup>See Form 1099-MISC, Miscellaneous Income, and its instructions.

<sup>2</sup>However, the following payments made to a corporation and reportable on Form 1099-MISC are not exempt from backup withholding: medical and health care payments, attorneys' fees, gross proceeds paid to an attorney, and payments for services paid by a federal executive agency.

**Part I. Taxpayer Identification Number (TIN)**

**Enter your TIN in the appropriate box.** If you are a resident alien and you do not have and are not eligible to get an SSN, your TIN is your IRS individual taxpayer identification number (ITIN). Enter it in the social security number box. If you do not have an ITIN, see *How to get a TIN* below.

If you are a sole proprietor and you have an EIN, you may enter either your SSN or EIN. However, the IRS prefers that you use your SSN.

If you are a single-member LLC that is disregarded as an entity separate from its owner (see *Limited Liability Company (LLC)* on page 2), enter the owner's SSN (or EIN, if the owner has one). Do not enter the disregarded entity's EIN. If the LLC is classified as a corporation or partnership, enter the entity's EIN.

**Note.** See the chart on page 4 for further clarification of name and TIN combinations.

**How to get a TIN.** If you do not have a TIN, apply for one immediately. To apply for an SSN, get Form SS-5, Application for a Social Security Card, from your local Social Security Administration office or get this form online at [www.ssa.gov](http://www.ssa.gov). You may also get this form by calling 1-800-772-1213. Use Form W-7, Application for IRS Individual Taxpayer Identification Number, to apply for an ITIN, or Form SS-4, Application for Employer Identification Number, to apply for an EIN. You can apply for an EIN online by accessing the IRS website at [www.irs.gov/businesses](http://www.irs.gov/businesses) and clicking on Employer Identification Number (EIN) under Starting a Business. You can get Forms W-7 and SS-4 from the IRS by visiting [IRS.gov](http://IRS.gov) or by calling 1-800-TAX-FORM (1-800-829-3676).

If you are asked to complete Form W-9 but do not have a TIN, write "Applied For" in the space for the TIN, sign and date the form, and give it to the requester. For interest and dividend payments, and certain payments made with respect to readily tradable instruments, generally you will have 60 days to get a TIN and give it to the requester before you are subject to backup withholding on payments. The 60-day rule does not apply to other types of payments. You will be subject to backup withholding on all such payments until you provide your TIN to the requester.

**Note.** Entering "Applied For" means that you have already applied for a TIN or that you intend to apply for one soon.

**Caution:** A disregarded domestic entity that has a foreign owner must use the appropriate Form W-8.

**Part II. Certification**

To establish to the withholding agent that you are a U.S. person, or resident alien, sign Form W-9. You may be requested to sign by the withholding agent even if item 1, below, and items 4 and 5 on page 4 indicate otherwise.

For a joint account, only the person whose TIN is shown in Part I should sign (when required). In the case of a disregarded entity, the person identified on the "Name" line must sign. Exempt payees, see *Exempt Payee* on page 3.

**Signature requirements.** Complete the certification as indicated in items 1 through 3, below, and items 4 and 5 on page 4.

**1. Interest, dividend, and barter exchange accounts opened before 1984 and broker accounts considered active during 1983.** You must give your correct TIN, but you do not have to sign the certification.

**2. Interest, dividend, broker, and barter exchange accounts opened after 1983 and broker accounts considered inactive during 1983.** You must sign the certification or backup withholding will apply. If you are subject to backup withholding and you are merely providing your correct TIN to the requester, you must cross out item 2 in the certification before signing the form.

**3. Real estate transactions.** You must sign the certification. You may cross out item 2 of the certification.

**4. Other payments.** You must give your correct TIN, but you do not have to sign the certification unless you have been notified that you have previously given an incorrect TIN. "Other payments" include payments made in the course of the requester's trade or business for rents, royalties, goods (other than bills for merchandise), medical and health care services (including payments to corporations), payments to a nonemployee for services, payments to certain fishing boat crew members and fishermen, and gross proceeds paid to attorneys (including payments to corporations).

**5. Mortgage interest paid by you, acquisition or abandonment of secured property, cancellation of debt, qualified tuition program payments (under section 529), IRA, Coverdell ESA, Archer MSA or HSA contributions or distributions, and pension distributions.** You must give your correct TIN, but you do not have to sign the certification.

**What Name and Number To Give the Requester**

For this type of account:	Give name and SSN of:
1. Individual	The individual
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account <sup>1</sup>
3. Custodian account of a minor (Uniform Gift to Minors Act)	The minor <sup>2</sup>
4. a. The usual revocable savings trust (grantor is also trustee) b. So-called trust account that is not a legal or valid trust under state law	The grantor-trustee <sup>1</sup> The actual owner <sup>1</sup>
5. Sole proprietorship or disregarded entity owned by an individual	The owner <sup>3</sup>
6. Grantor trust filing under Optional Form 1099 Filing Method 1 (see Regulation section 1.671-4(b)(2)(i)(A))	The grantor*
For this type of account:	Give name and EIN of:
7. Disregarded entity not owned by an individual	The owner
8. A valid trust, estate, or pension trust	Legal entity <sup>4</sup>
9. Corporation or LLC electing corporate status on Form 8832 or Form 2553	The corporation
10. Association, club, religious, charitable, educational, or other tax-exempt organization	The organization
11. Partnership or multi-member LLC	The partnership
12. A broker or registered nominee	The broker or nominee
13. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments	The public entity
14. Grantor trust filing under the Form 1041 Filing Method or the Optional Form 1099 Filing Method 2 (see Regulation section 1.671-4(b)(2)(i)(B))	The trust

<sup>1</sup>List first and circle the name of the person whose number you furnish. If only one person on a joint account has an SSN, that person's number must be furnished.

<sup>2</sup>Circle the minor's name and furnish the minor's SSN.

<sup>3</sup>You must show your individual name and you may also enter your business or "DBA" name on the "Business name/disregarded entity" name line. You may use either your SSN or EIN (if you have one), but the IRS encourages you to use your SSN.

<sup>4</sup>List first and circle the name of the trust, estate, or pension trust. (Do not furnish the TIN of the personal representative or trustee unless the legal entity itself is not designated in the account title.) Also see *Special rules for partnerships* on page 1.

\*Note. Grantor also must provide a Form W-9 to trustee of trust.

**Note.** If no name is circled when more than one name is listed, the number will be considered to be that of the first name listed.

**Secure Your Tax Records from Identity Theft**

Identity theft occurs when someone uses your personal information such as your name, social security number (SSN), or other identifying information, without your permission, to commit fraud or other crimes. An identity thief may use your SSN to get a job or may file a tax return using your SSN to receive a refund.

To reduce your risk:

- Protect your SSN,
- Ensure your employer is protecting your SSN, and
- Be careful when choosing a tax preparer.

If your tax records are affected by identity theft and you receive a notice from the IRS, respond right away to the name and phone number printed on the IRS notice or letter.

If your tax records are not currently affected by identity theft but you think you are at risk due to a lost or stolen purse or wallet, questionable credit card activity or credit report, contact the IRS Identity Theft Hotline at 1-800-908-4490 or submit Form 14039.

For more information, see Publication 4535, Identity Theft Prevention and Victim Assistance.

Victims of identity theft who are experiencing economic harm or a system problem, or are seeking help in resolving tax problems that have not been resolved through normal channels, may be eligible for Taxpayer Advocate Service (TAS) assistance. You can reach TAS by calling the TAS toll-free case intake line at 1-877-777-4778 or TTY/TDD 1-800-829-4059.

**Protect yourself from suspicious emails or phishing schemes.**

Phishing is the creation and use of email and websites designed to mimic legitimate business emails and websites. The most common act is sending an email to a user falsely claiming to be an established legitimate enterprise in an attempt to scam the user into surrendering private information that will be used for identity theft.

The IRS does not initiate contacts with taxpayers via emails. Also, the IRS does not request personal detailed information through email or ask taxpayers for the PIN numbers, passwords, or similar secret access information for their credit card, bank, or other financial accounts.

If you receive an unsolicited email claiming to be from the IRS, forward this message to [phishing@irs.gov](mailto:phishing@irs.gov). You may also report misuse of the IRS name, logo, or other IRS property to the Treasury Inspector General for Tax Administration at 1-800-366-4484. You can forward suspicious emails to the Federal Trade Commission at: [spam@uce.gov](mailto:spam@uce.gov) or contact them at [www.ftc.gov/idtheft](http://www.ftc.gov/idtheft) or 1-877-IDTHEFT (1-877-438-4338).

Visit [IRS.gov](http://IRS.gov) to learn more about identity theft and how to reduce your risk.

**Privacy Act Notice**

Section 6109 of the Internal Revenue Code requires you to provide your correct TIN to persons (including federal agencies) who are required to file information returns with the IRS to report interest, dividends, or certain other income paid to you; mortgage interest you paid; the acquisition or abandonment of secured property; the cancellation of debt; or contributions you made to an IRA, Archer MSA, or HSA. The person collecting this form uses the information on the form to file information returns with the IRS, reporting the above information. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation and to cities, states, the District of Columbia, and U.S. possessions for use in administering their laws. The information also may be disclosed to other countries under a treaty, to federal and state agencies to enforce civil and criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism. You must provide your TIN whether or not you are required to file a tax return. Under section 3406, payers must generally withhold a percentage of taxable interest, dividend, and certain other payments to a payee who does not give a TIN to the payer. Certain penalties may also apply for providing false or fraudulent information.

# MORTGAGOR'S LETTER OF COMPLETION

**To: The Money Source Inc**

RE: FHA Case Number: \_\_\_\_\_

Lender's Loan Number: \_\_\_\_\_

Property Address: \_\_\_\_\_  
\_\_\_\_\_

The rehabilitation construction and/or improvements, as outlined in the Rehabilitation Loan Agreement (including Architectural Exhibits), have been completed in a workmanlike manner to my/our satisfaction to the above-mentioned property.

I/We request that the Final Inspection by the HUD approved inspector and the Final Release of funds from the Rehabilitation Escrow Account be made to me/us after you receive an acceptable Final Compliance Inspection Report.

I/We understand that you, the lender, if required to protect the priority of the Security Instrument, may retain any "Holdback" reserve funds for a period of not more than thirty five (35) days or a longer time period allowable by state laws to ensure against any liens resulting from the Rehabilitation work done at the subject property. However, at the earliest possible date, I/we request any such funds be released to as appropriate.

This request also directs you to properly distribute the funds remaining in the Rehabilitation Escrow Account that represent the balance of the Contingency Reserve, Mortgage Payment Reserve and inspection fees and other miscellaneous fees that were not used.

\_\_\_\_\_  
Borrower Signature Date

\_\_\_\_\_  
Co-Borrower Signature Date

\_\_\_\_\_  
Co-Borrower Signature Date

\_\_\_\_\_  
Co-Borrower Signature

## LIEN RELEASE

**THIS AGREEMENT** ("Agreement"), including the provisions below is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between the Borrower (hereinafter defined) and Contractor (hereinafter defined).

**WHEREAS**, The Money Source Inc., dba Endeavor America Loan Services, is a duly licensed Mortgage Banker and approved FHA 203(k) lender with principal office at 1990 N. California Blvd., Walnut Creek, CA 94596;

**WHEREAS**, \_\_\_\_\_ ("Borrower"), is an individual(s) approved by The Money source Inc., dba Endeavor America Loan Services for an FHA Streamlined 203(k) rehabilitation loan subject to all regulations and procedures established by FHA guidelines in connection with the rehabilitation of a property located at \_\_\_\_\_ ("Property");

**WHEREAS**, Borrower has given a Mortgage, Deed of Trust or Security Deed ("Security Interest") to Endeavor Ameirca to secure Borrower's Note ("Note") in connection with the Property; and

**WHEREAS**, the Property has been fully and finally rehabilitated in accordance with an approved Homeowner/Contractor Agreement submitted to The Money Source Inc. dba Endeavor America Loan Services by Borrower according to terms and conditions agreed to by \_\_\_\_\_ ("Contractor");

**NOW THEREFORE** Contractor acknowledges that upon the receipt and sufficiency of a check from Endeavor America in the amount of \$\_\_\_\_\_ payable to Contractor that unless such check has been dishonored by the bank upon which it is drawn within thirty (30) days of the date such check was drawn, it will satisfy any and all obligations on the part of Endeavor America and/or Borrower with respect to Work performed at the Property in accordance with the Homeowner/Contractor Agreement and that all services and/or goods supplied by Contractor and their sub-contractors, if any, are paid in full and that this document shall become effective to release any mechanic's lien, stop notices or bond rights Contractor, or any sub-contractor may have with respect to the Property.



## **Disclosure Statement Required by Texas Code § 53.255.**

**KNOW YOUR RIGHTS AND RESPONSIBILITIES UNDER THE LAW.** You are about to enter into a transaction to build a new home or remodel existing residential property. Texas law requires your contractor to provide you with this brief overview of some of your rights, responsibilities, and risks in this transaction.

**CONVEYANCE TO CONTRACTOR NOT REQUIRED.** Your contractor may not require you to convey your real property to your contractor as a condition to the agreement for the construction of improvements on your property.

**KNOW YOUR CONTRACTOR.** Before you enter into your agreement for the construction of improvements to your real property, make sure that you have investigated your contractor. Obtain and verify references from other people who have used the contractor for the type and size of construction project on your property.

**GET IT IN WRITING.** Make sure that you have a written agreement with your contractor that includes: (1) a description of the work the contractor is to perform; (2) the required or estimated time for completion of the work; (3) the cost of the work or how the cost will be determined; and (4) the procedure and method of payment, including provisions for statutory retainage and conditions for final payment. If your contractor made a promise, warranty, or representation to you concerning the work the contractor is to perform, make sure that promise, warranty, or representation is specified in the written agreement. An oral promise that is not included in the written agreement may not be enforceable under Texas law.

**READ BEFORE YOU SIGN.** Do not sign any document before you have read and understood it.

**NEVER SIGN A DOCUMENT THAT INCLUDES AN UNTRUE STATEMENT.** Take your time in reviewing documents. If you borrow money from a lender to pay for the improvements, you are entitled to have the loan closing documents furnished to you for review at least one business day before the closing. Do not waive this requirement unless a bona fide emergency or another good cause exists, and make sure you understand the documents before you sign them. If you fail to comply with the terms of the documents, you could lose your property. You are entitled to have your own attorney review any documents. If you have any question about the meaning of a document, consult an attorney.

**GET A LIST OF SUBCONTRACTORS AND SUPPLIERS.** Before construction commences, your contractor is required to provide you with a list of the subcontractors and suppliers the contractor intends to use on your project. Your contractor is required to supply updated information on any subcontractors and suppliers added after the list is provided. Your contractor is not required to supply this information if you sign a written waiver of your rights to receive this information.

**MONITOR THE WORK.** Lenders and governmental authorities may inspect the work in progress from time to time for their own purposes. These inspections are not intended as quality control inspections. Quality control is a matter for you and your contractor. To ensure that your home is being constructed in accordance with your wishes and specifications, you should inspect the work yourself or have your own independent inspector review the work in progress.



**MONITOR PAYMENTS.** If you use a lender, your lender is required to provide you with a periodic statement showing the money disbursed by the lender from the proceeds of your loan. Each time your contractor requests payment from you or your lender for work performed, your contractor is also required to furnish you with a disbursement statement that lists the name and address of each subcontractor or supplier that the contractor intends to pay from the requested funds. Review these statements and make sure that the money is being properly disbursed.

**CLAIMS BY SUBCONTRACTORS AND SUPPLIERS.** Under Texas law, if a subcontractor or supplier who furnishes labor or materials for the construction of improvements on your property is not paid, you may become liable and your property may be subject to a lien for the unpaid amount, even if you have not contracted directly with the subcontractor or supplier. To avoid liability, you should take the following actions:

(1) If you receive a written notice from a subcontractor or supplier, you should withhold payment from your contractor for the amount of the claim stated in the notice until the dispute between your contractor and the subcontractor or supplier is resolved. If your lender is disbursing money directly to your contractor, you should immediately provide a copy of the notice to your lender and instruct the lender to withhold payment in the amount of the claim stated in the notice. If you continue to pay the contractor after receiving the written notice without withholding the amount of the claim, you may be liable and your property may be subject to a lien for the amount you failed to withhold.

(2) During construction and for 30 days after final completion, termination, or abandonment of the contract by the contractor, you should withhold or cause your lender to withhold 10 percent of the amount of payments made for the work performed by your contractor. This is sometimes referred to as 'statutory retainage.' If you choose not to withhold the 10 percent for at least 30 days after final completion, termination, or abandonment of the contract by the contractor and if a valid claim is timely made by a claimant and your contractor fails to pay the claim, you may be personally liable and your property may be subject to a lien up to the amount that you failed to withhold.

If a claim is not paid within a certain time period, the claimant is required to file a mechanic's lien affidavit in the real property records in the county where the property is located. A mechanic's lien affidavit is not a lien on your property, but the filing of the affidavit could result in a court imposing a lien on your property if the claimant is successful in litigation to enforce the lien claim.

**SOME CLAIMS MAY NOT BE VALID.** When you receive a written notice of a claim or when a mechanic's lien affidavit is filed on your property, you should know your legal rights and responsibilities regarding the claim. Not all claims are valid. A notice of a claim by a subcontractor or supplier is required to be sent, and the mechanic's lien affidavit is required to be filed, within strict time periods. The notice and the affidavit must contain certain information. All claimants may not fully comply with the legal requirements to collect on a claim. If you have paid the contractor in full before receiving a notice of a claim and have fully complied with the law regarding statutory retainage, you may not be liable for that claim. Accordingly, you should consult your attorney when you receive a written notice of a claim to determine the true extent of your liability or potential liability for that claim.

**OBTAIN A LIEN RELEASE AND A BILLS-PAID AFFIDAVIT.** When you receive a notice of claim, do not release withheld funds without obtaining a signed and notarized release of lien and claim from the claimant. You can also reduce the risk of having a claim filed by a subcontractor or supplier by requiring as a condition of each payment made by you or your lender that your contractor furnish you with an affidavit stating that all bills have been paid. Under Texas law, on final completion of the work and before final payment, the contractor is required to furnish you with an affidavit stating that all bills have been paid. If the contractor discloses any unpaid bill in the affidavit, you should withhold payment in the amount of the unpaid bill until you receive a waiver of lien or release from that subcontractor or supplier.

**OBTAIN TITLE INSURANCE PROTECTION.** You may be able to obtain a title insurance policy to insure that the title to your property and the existing improvements on your property are free from liens claimed by subcontractors and suppliers. If your policy is issued before the improvements are completed and covers the value of the improvements to be completed, you should obtain, on the completion of the improvements and as a condition of your final payment, a 'completion of improvements' policy endorsement. This endorsement will protect your property from liens claimed by subcontractors and suppliers that may arise from the date the original title policy is issued to the date of the endorsement."

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Borrower	Date	Co-Borrower	Date
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Borrower	Date	Co-Borrower	Date
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# Request for Acceptance of Changes in Approved Drawings and Specifications

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

OMB Approval No. 2502-0117 (exp. 06/30/2006)

**See Instructions and Conditions on Page 2.**

**Public reporting burden** for this collection of information is estimated to average 30 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This information is required to obtain benefits and mandatory. HUD may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

Section 203(b)(7) of the National Housing Act authorizes the Secretary of the Department of Housing and Urban Development to use his/her discretion with respect to the handling of insurance, repairs, and alternations. Builders who request changes to HUD's accepted drawings and specifications for proposed constructions properties as required by homebuyers, or determined by the builder use the information collection. The lender reviews the changes and amends the approved exhibits. These changes may affect the value shown on the HUD commitment. While no assurances of confidentiality are pledged to respondents, HUD generally discloses this data only in response to a Freedom of Information request.

Property Address	Case(s) No.	Request No.
Mortgagee's Name & Address	We request acceptance of the following changes in the approved drawings and specifications of the above numbered case or cases. <b>We Request</b> <input type="checkbox"/> <b>We Do Not Request</b> <input type="checkbox"/> an increase in the value and loan amounts if these changes warrant such an increase.	
Description:	Builder's Estimate of cost on each change	HUD/VA Estimate of effect on cost of each change
Borrower (If known)	Date	
Builder or Sponsor	Date	
For Mortgagee	Date	

Determination as to Acceptability  
 Changes Acceptable     
  Changes Unacceptable     
  Changes Acceptable, provided (list any conditions)

**Endorsement to Notice of Value** (for VA use only)

This endorsement takes precedence over and specifically amends the outstanding NOV for the property with the above identifying number. Any condition stated on the outstanding NOV, not specifically referred to and modified herein, remains in full force and effect until expiration of the validity period. Established reasonable value revised to \$

<input type="checkbox"/> Department of Veterans Affairs	Authorized Agent	I.D. Number	Date
<input type="checkbox"/> Federal Housing Commissioner	DE <input type="checkbox"/>		

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### Instructions

The mortgagor in this request is defined as the owner or possible future owner of the property, whose interest in the property is evidenced by any written contract of sale, deed, receipt of down payment, letter or other instrument dated prior to the signing of this request by the builder or sponsor.

If acceptance by the VA is requested, the original and at least two copies of this form shall be submitted by the mortgagee. If acceptance by HUD is requested, the original and at least one copy of this form shall be submitted by the mortgagee. Upon determination as to acceptability of the request, the original will be returned to the mortgagee for transmittal to the builder or sponsor. If the request covers more than one case and mortgagors are unknown, submit one additional copy for each additional case.

Designate each requested change by a letter (using a, b, c, etc.). If additional space is necessary to properly describe the changes, use this side of the form or an attachment. Also, attach revised drawings and/or supporting descriptive data when necessary. State the amount by which the construction cost will be increased or decreased as the net result of each proposed change.

This request shall be signed by (1) the borrower, if any, (2) the builder or sponsor, and (3) the mortgagee. If the borrower, as defined above, is unknown, the builder or sponsor shall insert "Unknown" in the space for the mortgagor's signature and initial this insertion.

Builder accepts all risk for constructing change(s) prior to receiving HUD or VA acceptance.

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### Conditions of Acceptance

Acceptance of changes implies in no way that the mortgage insurance or Notice of Value of the above case or cases will be increased when the net effect of all accepted changes is an increase in the total construction cost. Acceptance of changes is subject to the condition that inspection will show that all construction involved equals or exceeds the applicable HUD or VA Minimum Property Standards and all Local Codes and ordinances.

In accepting any changes it is assumed that they will be executed. If an accepted change is not executed, it must be nullified by submitting another copy of this form amending the construction exhibits so as to restore the drawings and specifications to the status existing prior to acceptance of the change or to a modification of such prior existing status as may be specified.