

# Contractor Acknowledgement

## Standard 203(k)

The following information is being provided to your company as the contractor on an FHA 203(k) Standard loan. Please review the information below and sign to acknowledge receipt and acknowledgement of the terms under which these programs are provided. If you have any questions or concerns about any of the requirements, you should discuss with your client and lender.

- All permits required for the project must be obtained prior to any work starting on the project or any project funds being disbursed from the renovation escrow account.
- All work proposal must include a breakdown of materials and labor for the amounts you are charging to your client. This breakdown is designed to protect you and the borrower if a dispute arises during the project.
- A renovation consultant may be required by the program. Contractor proposals must include all work noted by consultant and/or noted by the appraiser. Be sure to update your proposals and bids if any additional work is noted.
- The work must be completed in the time frame and use similar grade materials as described in the Specification of Repairs by the consultant. No funds for any work completed outside the original scope of the Specification of Repairs will be released.
- The Contractor must notify the borrower and consultant if any changes or additions need to be made to the original Specification of Repairs. All changes must be addressed by the consultant and approved by the lender. The contractor may not receive payment if the work is not approved and if the funds are not available.
- There is a 10% Holdback on every draw. The holdback is subtracted from each draw request and all holdback funds will be released with the final draw, including the final title update, when the project is completed. A holdback is 10% of each draw request that the lender will hold in the escrow account until it is released with the final draw disbursement.
- Funds are not advanced for the purchase of materials. Funds are released only for work that has been installed, completed, and inspected
- Contingency Reserve funds are designed to cover the cost of any unforeseen items that may come up during the project. There should not be any planned use of Contingency Reserve funds in connection with the original scope of work. Planning the use of Contingency funds may leave the borrower with a shortage which could create multiple issues on the project.
- The final draw request is completed when all work has been completed and inspected. The final title update must be complete and delivered before funds can be released for the final draw. Note: The final contractor must be informed that obtaining the final title may be delayed if the municipality is delayed in recording information and payment could be delayed up to 35 days.
- If the work is being completed on a home built prior to 1978, the contractor doing the work or a subcontractor he employs, must hold a Lead Base Paint Certification from the EPA or a state issued certification as allowed by the EPA. The certification can be waived if the home has had a Lead Based Paint Inspection completed and the report shows there is no lead paint present on the property or if the work being completed will not meet or exceed the threshold set by the EPA Renovation, Repair, and Paint Rule. (RRP)
- All municipality inspections must be complete before funds can be released for the final draw at completion.
- All work must be inspected and approved prior to draw payment disbursement.
- Draw requests will be handled by the Draw Disbursement area. Plan your draw requests. Payment of draw requests from time of request to receipt of payment is generally between 10 and 14 days, to allow for inspections, title updates, and check delivery.
- Do not do any work outside the stated scope of repairs. Payment of outside work is not authorized without prior approval. (Except when immediate health or safety of the property is in urgent peril) Contact your client and lender immediately if additional work is required.

I acknowledge receipt and terms for this project as noted above:

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Signature

Date