



## Renovation Disbursement Acknowledgement FHA 203K Standard Renovation Program

Contractor:

Homeowner(s):

We acknowledge and understand the terms of the disbursement process for the FHA Standard Renovation Program.

- This program allows for a one- time initial material draw disbursement of 50% of the documented cost of material that has been ordered by a vendor supplier with a defined delivery date.
  - Lender requires the invoice from the supplier of the materials to be signed by the contractor and the homeowner and provided to the HUD Consultant
  - The HUD Consultant then prepares the material draw to disburse 50% of the documented material cost for all parties to sign
  - This initial material draw must be received and approved by the Lender prior to any other draw inspections taking place
- In addition to this one-time initial disbursement for materials, this program allows for up to a maximum of 5 draw disbursements conducted through progress inspections.
  - These Draw Requests are initiated by the Contractor, Homeowner, and HUD Consultant once the percentage of the scope of work is complete.
    - Lender must be in receipt of all required permits and inspections before a draw request can be reviewed for approval.
    - Any permit, engineer, or architect fees that have been financed into the loan will only be able to be paid out for the exact amount of the provided invoice up to the amount we have financed into the transaction
  - A HUD Consultant approved by both HUD and the Lender will perform an onsite property inspection with Contractor and/or Homeowner to examine the quality of the completed work and the scope of completed project.
    - The Consultant will prepare a formal Draw Request (which includes pictures of the completed work for the Lender) and present completed Draw Request to the Contractor and Homeowner for signatures.
  - Any Change Orders requested by Contractor and Homeowner must also be initiated by the Consultant and submitted to Lender for review and approval prior to any change of work occurs.
- Once the Lender receives a completed Draw Request from the Consultant the Lender has up to 7 business days to render a decision, order a title update on the property, and process the draw payment.
  - Each Draw will have a 10% hold back to be released after the final inspection, and after the Lender has confirmed clear title. The release of hold back funds could take up to 3 to 5 business days to be processed.
- Unless approved by the Lender, all checks are disbursed as two (2) party checks made payable to both the Homeowner and the Contractor.
- All disbursement checks are sent to the subject property address unless otherwise noted and Lender uses a two (2) day delivery service of Lenders choice.

**Please refer to Article II of the Homeowner Contractor Agreement regarding the maximum timeframe to complete the project and the potential recourse if the project exceeds nine (9) months.**

We certify that we have read and understand the requirements that we must meet throughout the renovation period and agree to cooperate in full with the lender.

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

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

Homeowner(s): \_\_\_\_\_

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

Homeowner(s): \_\_\_\_\_

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