

GENERAL ADDENDUM TO SALES CONTRACT

Property Address:

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Street City State Zip Code

FHA Case #:

POLICY STATEMENT

All purchasers must close on or before forty-five (45) days of Contract Acceptance Date. Contract Acceptance Date refers to the date of Seller's ratification of the Sales Contract. **Failure by the Selling Broker or Selling Agent to file a proper extension with HUD's Closing Agent prior to the expiration of the Sales Contract, as set by Line 9 of the Sales Contract or any approved extensions thereof, will result in cancellation of the Sales Contract.** Further, the Selling Broker, Agent, and/or Purchaser understand and accept that an extension must be filed for any contract that is due to expire, regardless of reason.

Should the Selling broker, Agent, and/or Purchaser refuse or fail to fulfill the contractual obligations, HUD reserves the right to retain all or a portion of the Purchaser's deposit as liquidated damages.

Extension

HMBI, as HUD's Representative, may grant an extension of closing time and, if approved, extensions will be granted for a period of fifteen (15) days.

The "Request for Extension of Closing Date" and all the required supporting documents must be submitted to HUD's Closing Agent up to forty eight (48) hours prior to the expiration of the Sales Contract. Documentation submitted with the extension request must establish that closing can reasonably be expected to occur within the extension time period.

The extension request must be accompanied by a cashier's check, money order or other certified funds in the appropriate amount and made payable to HUD. The fee is based on the Contract Sales Price:

Contract Sales Price equal to or less than \$25,000 ... Extension fee is \$10.00 per day (\$150 total)
Contract Sales Price of \$25,001 to \$50,000 Extension fee is \$15.00 per day (\$225 total)
Contract Sales Price over \$50,000 Extension fee is \$25.00 per day (\$375 total)

The extension fee will be retained by HUD if the sale fails to close. In the event that the Purchaser closes prior to the end of the extension period, the unused, prorated portion of the extension fee will be credited to the amount due at closing.

The initial fifteen (15) day extension will be provided for owner occupant purchasers at no cost, if documentation is provided indicating that proper and timely loan application was made, that the delay of closing is not the fault of the Purchaser and that mortgage approval is imminent.

The submission of an extension along with required fees does not automatically obligate the Seller to accept the extension. Said acceptance is entirely within the Sellers discretion after review of the required documentation.

The approval of an extension does not obligate Seller to grant future extensions.

Earnest Money Deposits

All bids received during the Exclusive or Extended Listing Periods must be backed by earnest money in the form of certified funds (Cashiers Check, Official Bank Check, or Money Order only) or be retained by the selling broker, where applicable.

Earnest Money Forfeiture and/or Return

The following provisions are applicable in all instances except those where HUD is unable or unwilling to close the sale, in which case the entire amount will be returned.

Investor Purchasers

- Uninsured Sales: 100% of the deposit will be forfeited to HUD for failure to close, regardless of the reason.
- Insured Sales:
 - 50% of the deposit will be forfeited to HUD for failure to close if the purchaser is determined by HUD to be an unacceptable buyer.
 - 100% of the deposit will be forfeited to HUD if the sale fails to close for any other reason.

Owner-Occupant Purchasers

100% of the deposit will be forfeited when:

- No documentation is submitted.
- Documentation fails to provide an acceptable cause for the buyer's failure to close.
- Documentation is not received by HMBI no later than close of business on the tenth (10th) day following cancellation of the contract.

50% of the deposit will be forfeited when for an uninsured sale, despite good faith efforts by the purchaser, there is an inability to obtain a mortgage loan from a recognized mortgage lender.

100% of the deposit will be returned when:

- There has been a death in the immediate family (purchaser, spouse or children living in the same household).
- There has been a recent serious illness in the immediate family that has resulted in significant medical expenses or substantial loss of income, thus adversely, affecting the purchaser's financial ability to close the sale.
- There has been a loss of job by one of the primary breadwinners, or a substantial loss of income through no fault of the purchaser.
- For an FHA insured sale, HUD (or a D.E. underwriter) determines that the purchaser is not an acceptable borrower. For an uninsured sale, the purchaser was pre-approved for mortgage financing in an appropriate amount by a recognized lender, and despite good faith efforts, is unable to obtain mortgage financing. "Pre-approved" means a commitment has been obtained from a recognized mortgage lender for mortgage financing in a specified dollar amount sufficient to purchase the property.
- There is other equally good cause, as determined by HMBI, in keeping with the spirit and intent of the above policy.

Allowable Closing Costs (Applies to 1st Mortgages Only)

HUD will pay certain Closing Costs up to 3% of the purchase price, IF the closing costs are included in the bid and inserted on line 5 of the Sales Contract.

Upon closing of a HUD-owned single-family property, the Department will allow to be deducted from its proceeds, purchaser financing and closing costs considered to be reasonable and customary in the jurisdiction where the property is located. Form-HUD-9548 (Sales Contract – Property Disposition Program), shall be used to reflect the total dollar amount HUD is expected to pay towards a purchaser's financing and closing costs. However, in no event may the costs exceed three percent (3%) of the property's gross purchase price. If the total closing costs reflected on the HUD 1 settlement statement are less than the amount indicated on the sales contract, HUD will reimburse only the actual costs charged and will not credit the purchaser with any difference either in cash or through a reduced purchase price.

Within the three percent (3%) allowance, HUD will reimburse loan origination fees up to one percent of the mortgage. However, on an FHA 203(k) rehabilitation mortgage loan, HUD will reimburse loan origination fees up to one and a half percent (1.5%) of the mortgage.

HUD will pay the lesser of the amount requested in Line 5 or the actual costs of the items specified. Any funds remaining after the allowable closing costs have been paid will not be credited to the purchaser(s) at sales closing.

Warranties

HUD makes no representations or warranties concerning the condition of the property, including but not limited to mechanical systems, dry basement, foundation, structural, or compliance with code, zoning or building requirements and will make no repairs to the property after execution of the Sales Contract. All HUD homes are sold "As Is." As a result, Purchaser acknowledges that Purchaser is responsible for ensuring that the property, in its current condition, is acceptable to Purchaser. Seller will provide no warranty after acceptance of the Sales Contract.

Purchaser understands that regardless of whether the property is being financed with an FHA-insured mortgage, Seller does not guarantee or warrant that the property is free of visible or hidden structural defects, termite damage, lead-based paint, or any other condition that may render the property uninhabitable or otherwise unusable.

Home Inspection

It is Purchaser's responsibility to be an informed buyer. Purchaser has the right to carefully examine the potential new home with a qualified home inspector. Purchaser has fifteen (15) calendar days from the day of HUD's acceptance of the Sales Contract to complete the inspection. Failure to comply with this timeframe may forfeit Purchaser's right to an inspection with utilities activated. Utilities must be activated in Purchaser's name and may not remain activated for more than two (2) days. Regardless of the test results, Purchaser understands fully that neither HUD nor HMBI as HUD's Representative, will be responsible for costs associated with, nor perform any repairs to the property.

A home inspection provides the buyer more detailed information about the condition of the home prior to purchase. In a home inspection, a qualified inspector takes an in-depth, unbiased look at a potential new home to:

- Evaluate the physical condition (i.e., structure, construction, and mechanical systems)
- Identify items that need to be repaired or replaced
- Estimate the remaining useful life of the major systems, equipment, structure and finishes

If the inspection discloses a major defect, the following provisions will apply:

Insured Sales:

- a) Purchaser may close the sale as scheduled without Seller performing repairs nor a price reduction or,
- b) Purchaser may request termination of the contract with a full refund of the earnest money, provided that HMBI, as HUD's Representative concurs with the inspection report. As a condition to having the contract terminated and the earnest money deposit refunded, Purchaser agrees to have the test completed and to provide a written rejection, with the appropriate documentation, to HMBI within fifteen (15) calendar days from the date the Sales Contract was signed by HMBI as HUD's Representative; otherwise HUD and HMBI will assume that the inspection was satisfactory and Purchaser will proceed to closing. The cancellation contingency is limited to roof, foundation, defective components within the mechanical systems (electrical, plumbing, and heating). Defective kitchen appliances, window air conditioner units, light fixtures, receptacles and switch plate covers, as well as leaky faucets, missing showerheads and other similar defects are not considered in the mechanical systems nor is equipment age or energy efficiency ratings.

Uninsured Sales: No repairs will be authorized. The inspection will not be a basis for canceling the sale. The same provisions, as listed above, will also apply if any of the utilities cannot be turned on due to code violations, known defects, utility company policy or if the inspection cannot be completed as the result of a major component defect.

If FHA insured financing is used, the cost of the inspection, up to the maximum amount allowed by HUD, may be financed into the mortgage or included as part of the financing/closing costs figure stated on Line 5 of the sales contract.

If problems are discovered with the home after closing, FHA can not give or lend money for repairs, and FHA cannot buy the home back.

Purchaser understands the importance of obtaining a home inspection. Purchaser also understands that FHA will not perform a home inspection or guarantee the price or condition of the property.

 Purchaser chooses to have a home inspection.

 Purchaser chooses not to have a home inspection.

Purchaser also understands fully and hereby agree to bear all expenses associated with the testing of the systems, including repair of damage and re-winterization of the property.

Keys to the Property

Purchaser acknowledges that the keys to the Property have been available to the public. It is recommended that the Purchaser have the locks re-keyed immediately after closing. Seller and its agents are not responsible for the new owner's personal property if the Purchaser chooses not to re-key the locks.

PURCHASER ATTESTATION

Purchaser has read and understands this Addendum. By signing this Addendum, Purchaser acknowledges and agrees with all its contents.

Purchaser is aware that failure to perform in accordance with the sales contract may result in the forfeiture of all or a portion of the earnest money deposit.

Purchaser's Signature: **Date:**

Purchaser's Signature: **Date:**

SELLING AGENT/BROKER ATTESTATION

I agree to coordinate the inspection of the property's systems with HMBI. I also agree that I will be present during the inspection and am responsible for any costs incurred by my Purchaser associated with the inspection. I further agree to ensure that the property is returned to the same condition as before the inspection. This includes repair of damage and re-winterization of the property when deemed appropriate by HMBI. I also agree to notify HMBI within one day upon completion of the testing.

Selling Broker's Signature: **Date:**

Revision 10-2006