



FHA FINANCING ADDENDUM

(Required For Use with MAR and GCAAR Sales Contracts Involving FHA Financing)

The Contract of Sale with an Offer Date of _____ between _____
 _____ (Buyer) and _____ (Seller)
 for the purchase of the real property located at Address _____ Unit # _____
 City _____ State _____ Zip Code _____, is hereby amended by the incorporation of this Addendum, which
 shall supersede any provisions to the contrary in the Contract.

NOTICE: THE PARTIES SHOULD NOT INCLUDE A SEPARATE APPRAISAL CONTINGENCY IN THIS CONTRACT, SINCE THE FEDERALLY MANDATED APPRAISAL LANGUAGE FOR FHA LOANS IS CONTAINED IN THE FHA AMENDATORY CLAUSE BELOW.

A. SPECIFIED FINANCING: The following loan(s) shall be the "Specified Financing":

FIRST DEED OF TRUST: Buyer will ☐ obtain **OR** ☐ assume a First Deed of Trust loan from the lender that issued the pre-approval letter, or from the lender to whom Buyer made or will make written application within 7 days of Date of Ratification as required by this Contract ("Lender"), in the amount of _____ % of Sales Price amortized over _____ years at a ☐ Fixed **OR** an ☐ Adjustable rate bearing (initial) interest of _____ % per year or market rate available. Buyer shall pay upfront and monthly mortgage insurance premiums (MIP) as required by FHA regulations. Subject to Lender's approval, Buyer reserves the right to finance any upfront MIP, in which event such amount shall be added to the loan amount.

SECOND DEED OF TRUST: Buyer will ☐ obtain **OR** ☐ assume a Second Deed of Trust loan from the Lender, in the amount of _____ % of Sales Price amortized over _____ years at a ☐ Fixed **OR** an ☐ Adjustable rate bearing (initial) interest of _____ % per year or market rate available.

B. FINANCING CONTINGENCY: This Contract is contingent ("*Financing Contingency*") on Buyer's ability to obtain Specified Financing.

C. ALTERNATE FINANCING: Buyer, at Buyer's election, may also apply for alternative financing which includes but may not be limited to any change in loan terms or change in Lender from Specified Financing ("Alternate Financing"). **This Financing Contingency shall not apply to any Alternate Financing.**

D. SELLER'S OPTION TO VOID CONTRACT: Buyer shall Deliver by 6:00 p.m. _____ Days after Date of Ratification ("*Financing Deadline*") a **conditional commitment for financing** from Lender ("*Conditional Commitment*"). The Conditional Commitment shall include any outstanding conditions after initial underwriter review, such as final underwriting review/audit, final title review and other underwriting requirements, if any. The Conditional Commitment shall **not** contain any conditions for the verification of income, assets, employment, and/or obtaining a credit report, but may contain conditions for the re-verification of same.

Following the Financing Deadline, but until Buyer Delivers the Conditional Commitment to Seller, the Financing Contingency will continue and **Seller may Deliver Notice to Buyer declaring this Contract Void.**

Upon Delivery of the Conditional Commitment, the Financing Contingency will continue, and Seller may no longer Deliver Notice declaring the Contract Void under the Financing Contingency until the Settlement Date has passed.

If Settlement does not occur on or before the Settlement Date, and the Financing Contingency has not been removed, and the Buyer is not in Default, Settlement may occur any time thereafter. However, once the Settlement Date has passed and until Settlement has been completed, Seller may deliver Notice declaring this Contract Void, except in the case of Default by Seller.

E. REMOVAL OF CONTINGENCY: At any time prior to Seller Delivering Notice declaring the Contract Void, Buyer may remove this contingency: 1) By delivering to Seller evidence of Buyer's ability to complete settlement without obtaining the Specified Financing; OR 2) delivering notice to Seller, Buyer has made application for alternate financing or has made application with lender more than 7 days after Date of Ratification. **If Buyer removes the Financing Contingency but fails to complete Settlement by the Settlement Date for any reason not permitted by this Contract or as a result of any Default by Seller, then the provisions of the DEFAULT paragraph shall apply.**

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F. **FINANCING REJECTION:** Buyer may Deliver Notice declaring the Contract Void if Buyer receives a written rejection for the Specified Financing from Lender and Delivers a copy of the written rejection to Seller.

G. **APPRAISAL PROVISIONS:**

(1) **FHA Amendatory Clause:** It is expressly agreed that notwithstanding any other provisions of the Contract, Buyer shall not be obligated to complete the purchase of the Property described herein or to incur any penalty by forfeiture of deposit or otherwise unless Buyer has been given in accordance with HUD/FHA or VA requirements a written statement by the Federal Housing Commissioner, Department of Veterans Affairs, or a Direct Endorsement Lender setting forth the appraised value of the Property of not less than \$ _____. Buyer shall have the privilege and option to proceed with consummation of the Contract without regard to the amount of the appraised value. **The appraised value is arrived at to determine the maximum mortgage the Department of Housing and Urban Development will insure. HUD does not warrant the value or the condition of the Property. Buyer should satisfy himself/herself that the price and condition of the Property are acceptable.** **NOTICE:** The dollar amount to be inserted in the Amendatory Clause is the purchase price as stated in the Contract. If Buyer and Seller agree to adjust the purchase price in response to an appraised value that is less than the purchase price, a new Amendatory Clause is **not** required.

(2) **Procedure in the event of a low appraisal:** In the event that the written statement setting forth the appraised value of the Property (the "Written Statement") indicates a value less than the sales price, Buyer shall Deliver Notice to Seller stating either (a) that Buyer elects to proceed to settlement at the sales price in the Contract; or (b) requesting that Seller change the sales price to a specified lower amount of not less than the appraised value ("Buyer's Notice"). Buyer's Notice shall include a copy of the Written Statement. In the event Buyer's Notice requests a price reduction, Notices delivered subsequent to the delivery of Buyer's Notice shall be treated as follows:

WITHIN 3 DAYS AFTER NOTICE DELIVERY FROM ONE PARTY, THE OTHER PARTY MAY:

- (a) Deliver notice accepting the terms contained in the other party's notice; OR
- (b) Deliver notice continuing negotiations by making another offer; OR
- (c) Deliver notice that this Contract shall become Void at 6:00 p.m. on the Third Day following Delivery, unless the recipient delivers to the other party Notice of acceptance of the last Delivered offer prior to that date and time, in which case, this Contract will remain in full force and effect.

FAILURE OF EITHER PARTY TO RESPOND WITHIN 3 DAYS OF NOTICE DELIVERY WILL RESULT IN THIS CONTRACT BECOMING VOID.

H. **SELLER LOAN CHARGES:** The total amount of any Lender charges which cannot by law or regulation be charged to Buyer will be paid by the Seller. These charges will first be deducted from any Seller credit towards closing costs, and the remaining balance of the Seller credit, if any, will then be applied to Buyer's other charges.

I. **TERMITE INSPECTION:** Fences and outbuildings shall be included in the inspection and certification.

J. **BUYER DEFAULT PROVISIONS:** Buyer will be in Default if Settlement does not occur on the Settlement Date as a result of any of the following actions by Buyer:

- 1) Failure to lock-in the interest rate(s) and the rate(s) increase so that Buyer does not qualify for such financing; **OR**
- 2) Failure to comply with Lender's reasonable requirements in a timely and diligent manner; **OR**
- 3) Application is made with an alternative lender other than the Lender as defined herein and that alternative lender fails to meet the Settlement Date; **OR**
- 4) Does not have the down payment, closing fees and any other required funds; **OR**
- 5) Makes any deliberate misrepresentations, material omissions or inaccuracies in financial information that results in the Buyer's inability to secure the financing; **OR**
- 6) Failure to make application to Lender for the Specified Financing, or application for property insurance, within 7 days of Date of Ratification; **OR**
- 7) Does or fails to do any act following the Date of Ratification that prevents Buyer from completing Settlement.

K. **SALE/SETTLEMENT/LEASE OF OTHER PROPERTY:** Unless specified in a written contingency, neither this Contract nor the financing is dependent or contingent on the sale and settlement or lease of other real property.

L. **LENDER-REQUIRED REPAIRS:** If, as a condition of providing financing under this Contract, Lender requires repairs to be made to the Property that have not otherwise been agreed to be Seller's responsibility, then the following procedure will be followed:

Buyer will Deliver Notice to Seller of Lender's required repairs and a request that Seller complete the repairs prior to settlement. Within 5 Days after Delivery of Buyer's Notice, Seller will Deliver Notice to Buyer as to whether or not Seller will make the repairs. Failure of Seller to Deliver Notice to Buyer within said timeframe shall be deemed an election by Seller to **NOT** make the repairs. If Seller Delivers Notice to Buyer electing to not make the repairs (*or is deemed to have elected to not make the repairs*), within 5 days Buyer shall Deliver Notice to Seller as to whether or not Buyer will make the repairs. If neither Seller nor Buyer has Delivered Notice within said timeframe agreeing to make the repairs, then this Contract will become void.

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M. **CERTIFICATION**: Seller, Buyer and Broker(s) hereby certify that the terms of the Contract to which this Addendum is attached are true to the best of their knowledge and belief. Any other agreement(s) entered into between the parties with respect to the purchase and sale of the Property have been fully disclosed and are attached to the Contract.

N. **FHA REQUIRED NOTICE**: Buyer acknowledges receipt of HUD form #92564-CN entitled: *For Your Protection: Get a Home Inspection*.

BUYER'S INITIALS: _____ / _____

Seller	Date	Buyer	Date
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Seller	Date	Buyer	Date
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Real Estate Agent/Broker	Date	Real Estate Agent/Broker	Date
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