



## CONSUMER RENOVATION INFORMATION

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

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

### 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 (Renovation Escrow Account).
2. The lender will require that a contingency reserve be placed in the Renovation Escrow Account to cover unforeseen repairs or deficiencies during the renovation. If funds remain after the renovation is complete, they will be used to reduce the principal balance of your loan. If you deposit funds into the account, the funds you deposited can be paid directly back to you at your option.
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, or locate one at [www.efanniemae.com](http://www.efanniemae.com).
4. You are responsible for negotiating any agreements or warranties with the contractor. The lender does not provide any warranty on the contractor's 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.
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. You are responsible for making the mortgage payment each month, even if the renovation is not satisfactorily completed.
8. Funds for the renovation will be released to the contractor only twice. Fifty percent (50%) of the funds will be released at the initial funding of your loan and the remaining funds will be released after an inspection of the completion of the renovation. The funds are provided in a check made payable jointly to both you and the contractor. You can request these payments from the lender via e-mail at [203k@afmortgage.com](mailto:203k@afmortgage.com) or call the Lender's 203k escrow dept. at 973-983-5626 .
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 "up front" out of your own funds before the renovation is satisfactorily completed.
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. This helps to protect you from a contractor failing to complete the renovation.
12. If you would like to revise the original approved renovation (Prior to closing your loan), you must submit a Change Order Request to the lender for prior Approval, and deposit any additional required funds (including contingency reserve) in the Renovation Escrow Account.
13. When the renovation is completed, you and the contractor sign a Completion Certificate. The lender will provide you an accounting for all distribution of funds in the Renovation Escrow Account.

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

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

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

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

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