

## AFR One-Time Close Program Outline and Acknowledgement Agreement Draw Program for Manufactured / Modular / Site-Built Homes

This Program Outline and Acknowledgement Agreement (“Agreement”) is effective as of the last date signed below and is entered into between American Financial Resources, Inc. a New Jersey Corporation (“AFR”), its successors and/or assigns the Builder/Retailer and the Borrower(s). This is a three-party agreement meant to state the benefits to, and the obligations of, each of the three parties, namely, AFR (also the “Lender”), the Builder/Retailer, and the Borrower(s). WHEREAS Builder/Retailer and the Borrower(s) wish to participate in AFR’s One-Time Close (OTC) program, the Builder/Retailer, together with the Borrower(s) understand and agree, in addition to any other agreements or requirements that AFR may require the following terms and conditions are applicable and are a material inducement for AFR to undertake lending the funds for this transaction:

### Description of product:

The product that each of you (Builder/Retailer and Borrower) are engaging in is an OTC (One-Time Close or single close) mortgage transaction. Although this program has only one closing event (saving time and money), this product is funded in two stages. At the closing, AFR will fund all closing costs, land acquisition costs and third-party fees that are due, including the Admin Fee payable to AFR, and all of which are incurred at closing and are non-refundable even in the situation where the project is cancelled soon, or at any time, after closing. These closing costs include, but are not limited to, title fees, settlement fees, fees to establish a Borrower escrow account, appraisal and other inspection fees that were due prior to the initial closing; as well as land purchase or mortgage payoffs amounts, and the Administration Fee due to AFR which is earned and payable at closing. The Builder/Retailer will ONLY receive funding or draws during the construction phase as set forth in this Agreement and the final draw only once the subject property and all final inspections are met and approved by AFR. Upon completion of the subject property and all terms of this Agreement fulfilled to the reasonable satisfaction of AFR, the final draw, less any expenses as set forth herein, will be paid to the Builder/Retailer. Below are the requirements for draws, construction completion, construction interruption or non-completion, and final funding.

The Builder/Retailer and Borrower(s) understand and agree the Builder/Retailer is responsible for delivering a home completed in accordance with FHA, VA, USDA, Fannie Mae, and Freddie Mac guidelines. The Builder/Retailer warrants all utilities (water, sewer, electrical, gas, plumbing, as applicable) are 100% functional at the time of delivery,

### Definition of Subject Property:

A subject property is the property for which Borrower(s) intends to obtain a loan. This can be either a new property (purchase) or an existing property (refinancing) and with respect to this Agreement, is the property in connection with which Borrower(s) are obtaining a loan from AFR.

1. Conventional programs: Borrower(s) will be responsible for certain construction related interest payments during the construction of the home. Please refer to the Loan Estimate and other disclosures previously provided for complete details. This option is also available for the FHA program.
2. The following costs associated with the loan will be paid by the Builder/Retailer during the construction phase:
  - A One-Time Close administration fee and payable to AFR at closing:
    - OTC Administration Fee includes for **FHA and Conventional**:
      - A predetermined number of construction draws and the required corresponding inspections
      - Title updates (also known as date down endorsements)
      - Construction Management Operations costs
      - Construction interest, notwithstanding early completion, or extensions
    - OTC Administration Fee Includes for **VA and USDA**:
      - A predetermined number of construction draws and the required corresponding inspection
      - Construction management Operation Costs
      - Principal and Interest of construction period in months, notwithstanding early completion, or extensions.
      - Title update (also known as date down endorsement)
    - “Builder Financed Amount” is the final contract price of the home and any improvements (including Builder’s contribution to land costs, closing costs, and prepaids)

- Any of the following to be deducted from the construction escrow:
    - Any fee associated with an initial or final survey by AFR or state law.
    - All final inspection costs.
    - Any unpaid Builder/Retailer's fees or costs paid by AFR on behalf of the Builder/Retailer.
    - Any additional interest resulting from extensions referenced in the clause 3 below.
3. The Builder/Retailer is to provide a building timeframe after consultation with Borrower(s) and reviewing all plans and expectations for the Subject Property, and to, which the Borrower(s) has/have agreed. This time frame will be used to calculate the total cost of the build. Builder/Retailer estimates time not to exceed \_\_\_\_\_ months for project completion. \_\_\_\_\_(initialed by Builder/Retailer) Extensions to this estimate may be requested but no building timeline may exceed 1 (one) year. The timeframe starts on the date of loan closing.
- Early completion for **FHA and Conventional** transactions (in the event construction is fully satisfactorily completed prior to the originally agreed to timeline):
    - Builder/Retailer may be eligible to receive an early completion incentive calculated by multiplying:
      - cumulative balance drawn by the Builder/Retailer excluding the final disbursement; by
      - a daily rate of interest derived as 7% divided by 365; by
      - actual number of days between the final disbursement and the originally agreed to completion date.
    - Incentive payment will be added to the final disbursement.
    - Sample calculation A - construction is completed takes 15 days earlier than originally agreed to and prior to the final disbursement the cumulative drawn balance was \$360,000.00; the early completion incentive is calculated as [ $\$360,000.00 * 7\% / 365 * 15$ ] = \$1,035.62 added to the final disbursement.
    - Extensions (in the event construction is not fully satisfactorily completed by the originally agreed to timeline):
      - AFR must approve all requests for extensions,
      - Requests for extensions should be made as soon as the Builder/Retailer is aware that they will not complete the Subject Property in the original timeline, but in no cases, less than 2 weeks prior to the agreed-to completion date.
      - Builder/Retailer will be charged additional interest for each extension period calculated by multiplying:
        - Loan amount; by
        - A daily rate of interest derived as 7% divided by 365; by
        - Actual number of days between the end of the prior period and the final disbursement
      - Sample calculation: Construction takes 22 days longer than originally agreed [ $\$140,000.00$  loan amount; additional interest is calculated as [ $\$140,000.00 * 7\% / 365 * 22$ ] = \$590.69 deducted from the final disbursement.
  - Early completion for **VA and USDA** (in the event construction is fully satisfactorily completed prior to the originally agreed to timeline):
    - Builder/Retailer may be eligible to receive an early completion incentive.
    - Extensions (in the event construction is not fully satisfactorily completed by the originally agreed to timeline): AFR must approve all requests for extensions.
      - Requests for extensions should be made as soon as the Builder/Retailer is aware that they will not complete the Subject Property in the original timeline, but in no cases, less than 2 weeks prior to the agreed-to completion date.
      - Builder/Retailer will be charged additional months of Principal and Interest plus \$200.00 for each extension exceeding 30 days beyond the original build time.
  - **IT IS A MATERIAL OBLIGATION OF BUILDER/RETAILER TO COMPLETE THE SUBJECT PROPERTY WITHIN THE TIME FRAME STATED, OR AS OTHERWISE EXTENDED, AND IN ANY EVENT, NOT MORE THAN ONE YEAR FROM THE CLOSING OF THE LOAN. BUILDER/RETAILER UNDERSTANDS AND AGREES THAT THEY ARE IN THE BEST POSITION TO CONTROL AND MANAGE DELAYS AND SHALL BE SOLELY RESPONSIBLE FOR THE ADDITIONAL INTEREST CAUSED BY DELAYS. IF BUILDER/RETAILER ABANDONS THE PROJECT FOR ANY REASON, OTHER THAN FOR BEING TERMINATED BY BORROWER(S), BORROWER(S) MAY HIRE ANOTHER CONTRACTOR TO FINISH AND HOLD BUILDER/RETAILER RESPONSIBLE FOR ANY**

**SHORTFALL. BORROWER(S) UNDERSTAND AND AGREE THAT THEY ARE RESPONSIBLE TO OVERSEE COMPLETION IN A TIMELY MANNER AND FAILURE TO COMPLETE THE SUBJECT PROPERTY IN ONE YEAR FROM CLOSING IS GROUNDS FOR AFR TO FORECLOSE ON ITS LOAN IRRESPECTIVE OF LOAN PAYMENTS BEING CURRENT AT THE TIME.**

- **THE CONSTRUCTION ESCROW ESTABLISHED PURSUANT TO THIS AGREEMENT IS BEING HELD BY AFR TO PAY THE BUILDER/RETAILER ACCORDING TO THEIR CONTRACT WITH THE BORROWER. ALL FEES, ADDITIONAL INTEREST FOR DELAYS AND OTHER COSTS OF CONSTRUCTION ARE TO COME OUT OF THIS ESCROW (BORROWER'S FINAL LOAN CANNOT INCREASE FOR ANY REASON OR BE RESPONSIBLE TO PAY ANY SUCH FEES OUT-OF-POCKET) AND THE BUILDER/RETAILER IS RESPONSIBLE TO PAY SUCH FEES AND ACKNOWLEDGES AND AGREES THAT THEIR FINAL PAYMENT MAY BE REDUCED BY SUCH FEES.**
  - **IN THE EVENT THAT BUILDER/RETAILER IS TERMINATED MID-PROJECT FOR ANY REASON, THE FOREGOING DESCRIBED FEES MAY ALSO REDUCE THE ESCROW BALANCE AND MAY IMPACT ANY TERMINATION PAYMENT DUE AND MAY ALSO IMPACT BORROWER'S ABILITY TO COMPLETE THE PROJECT WITH A DIFFERENT CONTRACTOR FOR THE AVAILABLE REMAINING ESCROW BALANCE AS SUCH FEES MAY CONTINUE TO REDUCE THE ESCROW BALANCE AFTER TERMINATION. AS A MATERIAL INDUCEMENT TO AFR TO UNDERTAKE THE LOAN, BORROWER AND BUILDER/RETAILER HEREBY RELEASE AFR FROM ANY AND ALL CLAIMS AND ACTIONS AGAINST AFR FOR COLLECTING SUCH FEES RIGHTFULLY DUE FROM THE ESCROW IRRESPECTIVE OF THE EFFECT IT MAY HAVE ON ANY MONIES DUE TO THE BUILDER/RETAILER OR THE ABILITY FOR BORROWER TO COMPLETE THE PROJECT WITH ANOTHER CONTRACTOR.**
4. The Builder/Retailer and Borrowers understand and agree the Builder/Retailer is responsible for delivering a home completed in accordance with FHA/VA/USDA/FNMA/FHLMC guidelines. The Builder/Retailer warrants all utilities (water, sewer, electrical, gas, plumbing as applicable) are 100% functional at the time of delivery.
  5. Certificate of Occupancy (COO) and/or equivalent:
    - Must be delivered and reviewed to be found acceptable by AFR.
    - Completed within 2 weeks of the expiration of the construction period or an extension fee shall apply.
  6. Only Fixed Cost Building Contracts are permitted.
    - Earnest Money Deposits (EMDs) must be allocated on the Cost Break Down sheet (or contract) and part of the budget toward soft costs and/or materials. Draws cannot be requested until the deposit money is exhausted.
    - There shall be no upfront money disbursed by either AFR or the Borrower(s). Not applicable for [Premier Builder/Retailer](#).
    - Draw disbursements are outlined in paragraph 26.
  7. Builder/Retailer must provide detailed line-item cost of construction breakdown (cost takeout) and full materials list:
    - Builder/Retailer must also include a five percent contingency line item as part of the total cost of construction. Not required for [Premier Builder/Retailer](#) or if a property is a Manufactured Home.
    - On projects above \$1mm, the Builder/Retailer must include a ten percent contingency line item as part of the total cost of construction.
    - Use of contingency funds must be requested in writing by the Builder/Retailer, approved by AFR, and authorized by the Borrower(s).
    - Unused contingency funds will be applied as a principal reduction after construction is complete.
  8. Prior to ordering a proposed construction appraisal, the following is required based on construction type:
    - Complete set of Plans and Specifications, to include floor plans and elevations (front, rear, and side), signed by Borrower(s) and Builder/Retailer
    - Initial Site Plan must show lot dimensions, setbacks, easements adjoining roads, location of house, driveway and location of garage. If applicable, location of septic system and well to include distances.
    - Executed Builder/Retailer Sales Contract
    - Executed 3<sup>rd</sup> Party Land Sales Contract (if applicable)
    - All reports and available information (i.e., Title report, environmental reports or studies and inspection reports)
    - HUD 92541 Builder/Retailer Certification of Plans and Specifications form (for FHA/VA loans)
  9. Plans and specifications requirements: Plans and specifications must be created by a professional with the appropriate certifications, background, training, and experience to produce these documents. Said professionals' qualifications

must be acceptable to AFR. The contractor/builder and Borrower agree and are satisfied with the outlined mechanical plan, including but not limited to HVAC, plumbing and electrical. The costs are incorporated into the final building proposal/costs. The mechanical plans for those systems will be made available post-closing to the lender along with a copy of the permits for those systems.

- **Manufactured Homes:** floor plan, elevation drawings to include front, rear, and sides of home, engineer certified foundation/pier plan along with site letter indicating the HUD requirements being met.
- **Modular Homes:** floor plan, foundation plan and elevation drawings to include front, rear and sides of home. HUD Form-92005 Description of Materials (HVAC, Plumbing and electrical) can be provided post-closing along with copies of the permits. prior to funding by acknowledging this agreement.
- **Site built** floor plan, foundation plan and elevation drawings to include front, rear and sides of home. HUD Form-92005 Description of Materials (HVAC, Plumbing and electrical) can be provided post-closing along with copies of the permits. prior to funding by acknowledging this agreement.
- **For all FHA/USDA loans:** The contractor/Builder and the Borrower have discussed the Mechanical (HVAC, plumbing, and electrical) plans/design. The contractor/Builder and Borrower agree and are satisfied with the outlined mechanical plan and the costs are incorporated into the final building proposal/costs. The HUD Form-92005 Description of Materials for those systems will be made available post-closing to the lender along with a copy of the permits for those systems.
- **For all VA loans:** VA Form- 26-1852 Description of Materials must be provided, to underwriting for their review prior to closing.

10. Building Permits:

- **Are required prior to the closing of the loan.**
- Are required where applicable per county and state requirements.
- A copy of the building permit must be provided to AFR before work commences.

11. New or Existing Construction projects which have begun prior to closing and funding are ineligible for this program.

12. AFR requires first lien priority, and the note shall contain a provision that allows foreclosure in the event this Agreement is materially breached, including but not limited to exceeding time frames for build.

13. Mechanics and/or Materialmen's liens:

- If present, are not eligible for this program.
- In the event that AFR becomes aware of such lien, the Builder/Retailer shall pay all costs necessary to remove any such liens and shall reimburse and indemnify AFR, should AFR be required to (or determines it to be in their best interest and does) pay costs to remove such liens.
- AFR may request sub-contractor's lien waivers from Builder/Retailer prior to disbursement of any funds.

14. The Builder/Retailer and Borrowers understand and agree the Builder/Retailer is responsible for delivering a home completed in accordance with FHA, VA, USDA, FNMA and FHLMC guidelines. The Builder/Retailer warrants all utilities (water, sewer, electrical, gas, plumbing, as applicable) are 100% functional at the time of delivery.

15. Oregon Specific Requirements:

- Builder/Retailer will submit a list of all sub-contractors utilized on the construction project. Lien waivers will be required from each sub-contractor, as services are provided. Such costs to be paid by the Builder/Retailer.
- An Early Issue Title Policy will be required. The cost associated with this policy is the **responsibility of the Borrower**. This fee will be collected at closing/funding and held in escrow until the completion of the construction project.

16. Construction Matters and Disbursements:

- AFR will only discuss construction matters with the Builder/Retailer who has executed this acknowledgment and is the general contractor for the construction project.
- AFR will NOT discuss construction matters with any subcontractor.
- AFR does not hire or recommend sub-contractors for any construction projects, nor does it endorse the Builder/Retailer, general contractor, sub-contractor, or any other party involved in the construction project, but may, in its sole discretion, disqualify any contractor.
- The Builder/Retailer is expected manage and resolve all sub-contractor matters.
- The Borrower(s) is/are solely responsible for resolving all construction issues with the Builder/Retailer.
- AFR's communication with the Builder/Retailer is limited to draw disbursements and inspections and is not directly related to the progress of the construction and or the quality or workmanship of the project.

17. All funds disbursed during construction by AFR shall be disbursed to the Builder/Retailer in accordance with the

agreed upon draw schedule.

- Builder/Retailer is responsible for payment to any sub-contractors involved with the construction project.
- AFR does not disburse funds directly to any sub-contractor or to the Borrower(s).
- Borrower(s) may not receive funds from AFR or the Builder/Retailer in return for work performed by Borrower(s).
- Borrower(s)' may not participate as a sub-contractor.

18. Water Well (existing or to be constructed):

- Any existing Water Well or well to be constructed must meet FHA new construction guidelines.
- Public water is required to be available at lot boundary.
- If public water is not available a developed well is required on the site prior to a final inspection/certification of occupancy as applicable.
- Water Well Installation estimate from Well installer is required prior to *closing unless permits are available at closing*.
- Only drilled Wells are acceptable.
- Newly drilled Water Wells require either a county well certification or a private company report dated within six (6) months of closing – documenting acceptable well flow and water purity.
- If a Water Well exists a water potability test is required (Bacteria / E-coli, Total Coliforms, Lead, Nitrate, and Nitrite). The cost of the water test is the Builder/Retailer’s responsibility.
- Verification will be made on all Water Wells (existing or new) of the required distances from property lines and built structures.
- Existing Water Wells must comply with FHA new Construction Water Well guidelines for potability and flow test requirements and meet county/state requirements.
- A Well located within the foundation walls of New Construction is not acceptable except in arctic or sub-arctic regions.

The following tables provide the minimum distance required between Wells and sources of pollution:

<b>Water Well location Minimum Property Standards for New Construction</b>	
<a href="#">24 CFR § 200.926d(f)(3)(iv)</a> *	
1	Property line / 10 feet
2	Septic tank / 50 feet
3	Absorption field / 100 feet
4	Seepage pit or cesspool / 100 feet
5	Sewer lines with permanent watertight joints / 10 feet
6	Other sewer lines / 50 feet
7	Chemically poisoned soil / 25 feet (reduced to 15 feet where ground surface is protected by impervious strata of clay, hardpan or rock)
8	Dry well / 50 feet
9	Other – refer to local health authority minimums
*Distance requirements of local authority prevail if greater than stated above	
The following provides the minimum standards for Individual Water Supply Systems (wells):	
Individual Water System Minimum Property Standards for New Construction <a href="#">24 CFR § 200.926d(f)(1) and (2)</a>	
1	Lead-free piping
2	If no local chemical and bacteriological water
3	Connection of public water whenever feasible
4	Wells must deliver water flow of five (5) gallons per minute over at least a four (4) hour period

19. Sewer/ Septic Systems:

- If public (municipal) sewer is currently available, it must be set up at the lot boundary.
- If public sewer is not available, and an approved septic system has not yet been installed, a septic installation estimate, for the proposed size of home, from the septic installer, is required prior to closing.
- A PERC test will be required prior to closing on all transactions that will be purchasing an unimproved building lot or paying off a lien at closing that encumbers a building lot that does not currently have an existing septic system any exception to this will need to be approved by AFR management prior to closing.
- Septic system must be designed by an engineer who certifies that it is appropriate for the unit size that is being



placed at the location. (Note, appropriate permits are also required).

20. Elevation Certificate is required if the property is in a FEMA identified flood zone. Such certification will be required by AFR prior to closing based off construction drawings and A final certification will be required prior to final disbursement.
21. Flood Insurance Requirements
- If property is in a FEMA identified flood zone, flood insurance will be required,
  - if any part of the security structure on the subject property is constructed in the Special Flood Hazard Area:
    - Proof of flood insurance will be required prior to closing.
    - Failure to provide flood insurance will create a delay in the closing process until provided.
22. Required Inspection Documents: FHA/USDA/Conventional
- All construction types require copies of building permits (or equivalent) and certificate of occupancy (or equivalent); as well as:
    - **Site Built and Modular; Builder/Retailer to provide option 1 or 2:**
      1. Three inspections, (footing, framing and final) performed by the local authority with jurisdiction over the Property or an ICC certified RCI or CI (for Modular Housing, footing and final only) on HUD form 92051 for FHA and USDA. Conventional, the final inspection is completed by the appraiser on form 1004D/442, or
      2. Three inspections for site built (footing, framing, and final) or (for modular housing, footing and final only) performed by a disinterested third-party, who is a registered architect or a structural engineer and has met the licensing and bonding requirements of the state in which the property is located. Conventional, the final inspection is completed by the appraiser on form 1004D/442.
    - **Manufactured; Builder/Retailer to provide option 1 or 2:**
      1. Two inspections (Initial & Final) performed by the local authority with jurisdiction over the property or an ICC, RCI or CI. Conventional, the final inspection is completed by the appraiser on form 1004D/442, or
      2. Two inspections (initial & final) performed by a disinterested third-party, who is a registered architect or structural engineer and has met the licensing and bonding requirements of the state in which the property is located. Conventional, the final inspection is completed by the appraiser on form 1004D/442.
    - **VA**
      - a) If the local authority performs the required foundation, framing, and final inspections and issues a CO or equivalent, VA will accept the CO for the property as evidence of local authority inspections and satisfactory completion of construction. Please note that framing inspection is not required on manufactured, or modular homes.
      - b) If the local authority performs the required foundation, framing, and final inspections, but does not issue a CO or equivalent, VA will accept copies of the inspection reports, which verify full compliance with local Builder codes, or a written statement from the local authority that states that the required inspections were performed satisfactorily.
      - c) If the local authority does not perform the required inspections, the property must be covered by a 10-year insured protection plan that is acceptable to the Department of Housing and Urban Development (HUD), and a 1-year VA Builder's warranty.
      - d) Final inspection. When the property is 100 percent complete, the lender will contact the original VA appraiser to complete the VA final inspection. If the original VA appraiser is not available, the lender will contact the RLC of jurisdiction for another VA appraiser to complete the final inspection.
    - The cost of the final inspection and any required reinspection(s) is/are the Builder/Retailer responsibility.
23. VA loans only: Builder certifies that if property is located in Radon Zone 1 as designated by the EPA at the following website: <https://geopub.epa.gov/Radon/> that radon resistant construction techniques were used and construction will meet local building codes and state regulations for radon control, where applicable. In the absence of any building codes, certification will be based upon IRC requirements.
24. Final Inspection:
- AFR will order the final inspection when notified by the Builder/Retailer.
  - The cost of the final inspection and any required reinspection(s) is/are the Builder/Retailer's responsibility and financial obligation.
25. Change Orders:
- All change orders shall be submitted to AFR for approval, prior to any work being commenced.
  - The cost incurred with the change order will be an expense above and beyond any escrowed construction funds from the loan.
  - Change order expenses must be paid by Borrower directly to Builder/Retailer and will not be included in the

escrowed funds for construction.

- Neither Builder/Retailer, sub-contractor, supplier, nor the Borrower will rely on or expect AFR to make payment because of any change order.

26. Loan Closings:

- Will not be scheduled sooner than 2 business days after the AFR Underwriter has approved the loan and issued the "Clear-to-Close".
- Evidence of an active Builder risk/course of construction policy along with general liability policy are required prior to clearing the loan or closing. Policy will need to cover the Builder/retailer final contract amount for home and improvements. AFR corporate should be listed as loss payee and the policy should be active at time of construction underwrite and valid until Builder/retailer receives final disbursement.

27. Draw Disbursements are based on the percent of completed work at the time of the request as determined by an inspection:

- The Builder/Retailer is limited to one (1) draw every 30 days unless approved by AFR.
- Draw inspections are requested by the Construction Department upon notification of completion of a phase of work from the Builder/Retailer.
- "Date Down" Endorsements will be required at each draw funding. This will be ordered by AFR's Construction Department.
- A draw inspection must be completed by a city inspector, fee inspector, original appraiser, or an engineer acceptable to AFR.
- Draw inspections will certify that each item has been satisfactorily completed according to the funding requirements.
- Draw request forms are provided to the Builder/Retailer by AFR's Construction Department.
- AFR Draw Request Form must be completed and submitted to AFR's Construction Department for approval prior to any draw funds disbursement (draw payment).
- Manufactured Home Invoice would be considered a draw and is payable directly to the factory or floor plan lender, pending evidence the home is offline and has the proper insurances in place for transportation to the subject site.
- For any draw requests and inspections exceeding those included in the Administrative Fee (see paragraph 1) an additional fee of \$450.00 will be deducted from each subsequent draw disbursement.
- Note: It is AFR's responsibility to obtain written approval from the Borrower before each draw payment is provided to the Builder/Retailer.

28. Final Stage Funding Draw (final disbursement / final draw) will be payable upon AFR's receipt and approval of (as applicable):

- all required new construction forms,
- permits,
- Official 911 address, generally provided on letter head from the 911 coordinator, county or local government,
- fully executed HUD 92544 Warranty of Completion,
- building permits (required on all site built and modular homes)
- certificate of occupancy (required on all site built and modular homes)
- Health Authority Approval Permit if a Well was constructed,
- Health Authority Approval to Construct Permit for a septic system if one was constructed,
- Initial compliance inspection/ pre-pour/ footer inspection on HUD form 92541: required on all manufactured, modular, and site-built projects. (See # 21 above)
- Framing inspection is also required on all Site built projects.

29. Final Compliance Inspection including: Photos of all exterior sides and interior rooms showing utilities functioning. If manufactured home, photos of HUD tags or on modular homes, photos of Factory Built Unit Certifications "UBC" are required. Inspector to comment if there are any previous homes on site on the final inspections. (See # 21 above)

- Completion of all necessary loan modification agreements, executed by the Borrower(s) and receipt of the originals, thereof.

Final Compliance Inspection			
Loan Program	Appraiser Completes	Compliance Form Needed	Engineer Cert needed if not provided prior to closing
FHA	NA	HUD form 92051 (Completed by engineer or ICC, certified RCI, or CI inspector)	Yes
USDA	NA	HUD Form 92051 (Completed by engineer) or 1004D (Completed by Appraiser)	Yes
VA	Yes	NA	Yes
Conv	Yes	NA	Yes

- Provide a satisfactory septic inspection by a licensed septic installer or septic company. This should be on letter head signed and dated with installer license number. If you are making repairs to the existing, we will need county/local approval permits.
- Septic systems to be installed in accordance with county guidelines. Need evidence on county or local letter head indicating it meets requirements.
- Local Health Authority well water analysis - Bacterial and chemical test to be completed in accordance with HUD Guidelines. Must be tested from same water sample, brought to facility by a 3rd party and include satisfactory results for all of the following Lead, Nitrate, Nitrite, E. coli and Coliform.
- HUD-NPMA-99-A Subterranean Termite Treatment: Builder/ Retailer's Certification and Guarantee completed by Retailer indicating type of treatment used (required in most states)
- HUD-NPMA-99-B New Construction Subterranean Termite: Soil Treatment Record completed by Pest Control Company (if soil treatment method was used). Builder/Retailer is responsible for the cost of the termite pre-treatment.
- Builder/Retailer to provide Placement survey on all projects: If well and septic are on site the placement survey must show the following distances: well to property line, well to foundation, well to septic, well to closest point of drain field. Distances will need to meet FHA required Min as you indicated on the plot plan at initial closing.
- Final homeowner's insurance binder Quote from initial closing. Builder/Retailer to have homeowner provide insurance binder once construction is complete and is ready to fund.
- Any other inspections, documents, forms, or Affidavits that AFR may, in its sole discretion, require to be completed.

**Additionally:**

- Oregon requires all necessary lien waivers and affidavits of completion as well as the Early Issue Title Policy.
- This section is subject to change based on loan type (FHA).

30. Conversion to Permanent Financing:

- AFR reserves the right to reverify the information used to qualify for the loan, the Borrower(s) agree to fully cooperate with AFR with any requests.

31. New pool construction is eligible for this program only in: AL, AZ, GA, FL, LA, MS, NM, NV, TX

- The pool contractor is a subcontractor of the General Contractor, or the General Contractor is building the pool.
- Must be an in-ground pool, above-ground pools are not permitted, and
- Follow all Agency, state, and local requirements.

32. Survey Requirements

- In States that require surveys, AFR requires an initial and final placement survey.
- In the event the title company requires a final placement survey, AFR will require a placement survey.
- In the event the title company does not require a placement survey and does not have an exception within schedule B, AFR will accept a signed placement survey affidavit.
- Final placement survey required at completion prior to loan modification (see above bullets). Cost of the final survey is the responsibility of the Builder/Retailer.



**Construction Draw Schedule Details:****Flexibility**

- Builder may take 1 draw every thirty (30) calendar days.
- The Builder may complete the build tasks listed on their Construction Draw Schedule Disclosure in any order.
- Build Tasks from the Draw Schedule are paid on a line item(s) percentage complete basis.
- Material only tasks will not be paid until the corresponding labor is complete.
- Contractual allowances are not permitted.

Prior to commencement of construction, the Borrower and Builder/Retailer acknowledge and agrees to the terms and conditions and associated charges of the Construction-to-Permanent (C-to-P) Loan guidelines contained herein.

Builder/Retailer understands that any variance in compliance with the requirements of this agreement and any of the construction loan agreement can delay AFR's ability to disburse funds. Unless applicable state law prohibits otherwise, compliance with the loan documents is required. Failure to comply may result in additional charges to the Builder/Retailer to bring the construction into compliance with this Agreement and the Construction Loan Agreement.

Borrower explicitly agrees and understands that AFR, its agent's, successors and/or assigns, may, in its sole and exclusive judgement, share my non-public personal information with the Builder/Retailer their successors, assigns or agents.

In the event of a dispute between Borrower(s) and Builder/Retailer over whether the home meets the requirements of the contract (assuming first a final passing inspection), the Builder/Retailer may hire an independent professional engineer (at their own expense and such engineer so certified by NPSE and appropriately licensed or similar accrediting organization) to evaluate and determine if the home complies with all applicable regulations and is constructed as agreed. If the engineer concludes that the home has met all applicable regulations and meets all the contractual requirements, including any addendums, between Builder/Retailer and Borrower(s), AFR may accept such engineer's opinion as Borrower'(s) authorization to issue the payment of the final funding to the Builder/Retailer.

Borrower(s) and Builder/Retailer expressly understand and agree that AFR is solely a lender in this transaction and AFR has no obligation to either Borrower(s) or Builder/Retailer in the event that the Subject Property is not completed or there is otherwise a dispute between Borrower(s) and Builder/Retailer. If the Subject Property is not completed within the one year limitation from closing, and/or Borrower(s) and Builder/Retailer are in a dispute that cannot or is not resolved pursuant to the terms of this Agreement, AFR, may in its sole discretion, use any money in escrow to make a principal reduction of the Note, in which case, such money will be unavailable to release to Builder/Retailer or to Borrower(s) to pay to another contractor and Borrower(s) and Builder/Contractor shall seek restitution as applicable only from each other and hereby indemnify AFR from and against any claims so long as AFR has complied with the terms of this Agreement. The foregoing is in addition to any other remedies AFR may have at law or equity and not in lieu thereof.

**Builder/Retailer Performance Agreement**

I/We, the undersigned, hereby agree that in the event of default by the Borrower(s) under loan documents executed to finance construction of improvements we shall, at "AFR's" option and direction, continue performance under our agreement with such Borrower(s), provided that we are compensated for all work after said direction by you, your successors and/or assigns or purchaser in accordance with the agreement with the applicant(s).

**Signatures**

Each individual signing this Agreement directly and expressly warrants that he/she has been given and has received and accepted authority to sign and execute the documents on behalf of the Party for whom it is indicated he/she has signed, and further has been expressly given and received and accepted authority to enter into a binding agreement on behalf of such Party with respect to the matters concerned herein and as stated herein. If any party (Builder/Retailer or Borrower) is a corporation, partnership (general or limited), limited liability company or trust, each person signing this Agreement represents that such person is authorized to execute this Agreement without the necessity of obtaining any other signature of any officer, partner, manager, member, trustee or beneficiary, that the execution of this Agreement has been properly authorized by the Board of Directors of the corporation, by the partners of the partnership, the members and/or managers of the limited liability company or the trustee or the trust, as the case may be, and that this Agreement is fully binding on the Dealer/Retailer and all Borrowers.

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Subject Property Address

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Builder/Retailer Company Name

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Builder/Retailer Authorized Signature

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Builder/Retailer Name Printed	Title	Date Signed
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Borrower Signature	Name Printed	Date Signed
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Co-Borrower Signature	Name Printed	Date Signed
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Co-Borrower Signature	Name Printed	Date Signed
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Co-Borrower Signature	Name Printed	Date Signed
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Lender Authorized Signature	Name Printed	Date Signed
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## One-Time Close Program Outline and Acknowledgement Agreement No Draw Program for Manufactured and Modular Homes

This Program Outline and Acknowledgement Agreement (“Agreement”) is effective as of the last date signed below and is entered into between American Financial Resources, Inc. a New Jersey Corporation (“AFR”), its successors and/or assigns the Builder/Retailer and the Borrower(s). WHEREAS this is a three-party agreement meant to state the benefits to, and the obligations of, each of the three parties, namely, AFR (also the “Lender”), the Dealer/Retailer, and the Borrower(s). Dealer/Retailer and the Borrower(s) wish to participate in AFR’s One-Time Close (OTC) program for the financing of the within described manufactured or modular home, the Dealer/Retailer and the Borrower(s) understand and agree, in addition to any other agreements or requirements that AFR may require the following terms and conditions are applicable and are a material inducement for AFR to undertake lending the funds for this transaction:

### Description of product:

The product that each of you (Dealer/Retailer and Borrower) are engaging in is an OTC (One-Time Close or single close) mortgage transaction. Although this program has only one closing event (saving time and money) this product is funded in two stages. At the closing AFR will fund all closing costs, land acquisition costs and third-party fees that are due. These closing costs include, but are not limited to, title fees, settlement fees, fees to establish a Borrower escrow account, appraisal and other inspection fees that were due prior to the initial closing; as well as land purchase or mortgage payoffs amounts and the Administration Fee due to AFR which is earned and payable at closing. The Retailer/Dealer will **NOT** receive funding or draws of any kind prior to the completion of the subject property and all final inspections are met and approved by AFR except for that which is intended to be distributed at closing which includes the AFR Administration Fee and closing credits to the Borrower. Upon completion of the subject property and all terms of this Agreement fulfilled to the reasonable satisfaction of AFR, one single funding will be paid to the Dealer/Retailer. Below are the requirements for construction completion and final funding.

The Dealer/Retailer and Borrowers understand and agree the Dealer/Retailer is responsible for delivering a home completed in accordance with FHA, VA, USDA, Fannie Mae, and Freddie Mac guidelines. The Dealer/Retailer warrants all utilities (water, sewer, electrical, gas, plumbing, as applicable) are 100% functional at the time of delivery,

### Definition of Subject Property:

A subject property is the property for which Borrower(s) intends to obtain a loan. This can be either a new property (purchase) or an existing property (refinancing) and with respect to this Agreement, is the property in connection with which Borrower(s) are obtaining a loan from AFR.

### Key Responsibilities & Requirements:

1. Conventional programs: Borrower(s) will be responsible for certain construction related interest payments during the construction of the home. Please refer to the Loan Estimate and other disclosures previously provided for complete details. This option is also available for the FHA program.
2. The following costs associated with the loan will be paid by the Dealer/Retailer during the construction phase:
  - A One-Time Close administration fee payable to AFR at closing:
    - OTC Administration Fee includes:
      - Interim construction interest,
      - Inspection fees,
      - Draw fees,
      - Loan oversight, and
      - Title updates.
    - Any of the following to be deducted from the construction escrow:
      - Any fee associated with an initial or final survey by AFR or state law.
      - All final inspection costs.
      - Any unpaid Builder/Retailer’s fees or costs paid by AFR on behalf of the Retailer/Dealer.
3. The Dealer/Retailer provides the following building timeframe after consultation with Borrower(s) and reviewing all plans and expectations for the Subject Property, and to, which the Borrower(s) has/have agreed. This time frame will be used to calculate the total cost of the build. Dealer/Retailer estimates time not to exceed \_\_\_\_\_ months for project completion. \_\_\_\_\_ (initialed by Dealer/Retailer). Extensions to this estimate may be requested but no building timeline may exceed 1 (one) year. Note: completion is to be evidenced by the final inspection (which shows no outstanding issues), the certificate of occupancy, or other documents as required by AFR in its sole discretion. The timeframe starts on the day of loan closing.

- Extensions (in the event construction is not fully satisfactorily completed by the originally agreed to timeline):
    - AFR must approve all requests for extensions.
    - Requests for extensions should be made as soon as the Dealer/Retailer is aware that they will not complete the Subject Property in the original timeline, but in no cases, less than 2 weeks prior to the agreed-to completion date.
    - Builder/Retailer will be charged additional interest for each extension period calculated by multiplying:
      - Loan amount; by
      - A daily rate of interest derived as 7% divided by 365; by
      - Actual number of days between the end of the prior period and the final disbursement
    - Sample calculation: Construction takes 22 days longer than originally agreed [ $\$140,000.00$  loan amount; additional interest is calculated as  $[\$140,000.00 * 7\% / 365 * 22] = \$590.69$  deducted from the final disbursement.
  - **IT IS A MATERIAL OBLIGATION OF BUILDER/RETAILER TO COMPLETE THE SUBJECT PROPERTY WITHIN THE TIME FRAME STATED, OR AS OTHERWISE EXTENDED, AND IN ANY EVENT, NOT MORE THAN ONE YEAR FROM THE CLOSING OF THE LOAN. BUILDER/RETAILER UNDERSTANDS AND AGREES THAT THEY ARE IN THE BEST POSITION TO CONTROL AND MANAGE DELAYS AND SHALL BE SOLELY RESPONSIBLE FOR THE ADDITIONAL INTEREST CAUSED BY DELAYS. IF BUILDER/RETAILER ABANDONS THE PROJECT FOR ANY REASON, OTHER THAN FOR BEING TERMINATED BY BORROWER(S), BORROWER(S) MAY HIRE ANOTHER CONTRACTOR TO FINISH AND HOLD BUILDER/RETAILER RESPONSIBLE FOR ANY SHORTFALL. BORROWER(S) UNDERSTAND AND AGREE THAT THEY ARE RESPONSIBLE TO OVERSEE COMPLETION IN A TIMELY MANNER AND FAILURE TO COMPLETE THE SUBJECT PROPERTY IN ONE YEAR FROM CLOSING IS GROUNDS FOR AFR TO FORECLOSE ON ITS LOAN IRRESPECTIVE OF LOAN PAYMENTS BEING CURRENT AT THE TIME.**
4. Certificate of Occupancy (COO) and/or equivalent:
- Must be delivered and reviewed to be found acceptable by AFR.
  - Completed within 2 weeks of the expiration of the construction period or an extension fee shall apply.
5. Only Fixed Cost Construction Contracts are permitted.
- Earnest Money Deposits (EMDs) must be allocated on the contract and part of the budget toward soft costs and/or materials.
  - There shall be no upfront money disbursed by either AFR or the Borrower(s). Not applicable to [Premier Builders/Retailers](#).
  - Unused contingency funds will be applied as a principal reduction after construction is complete.
6. Prior to ordering a proposed construction appraisal, the following is required based on construction type:
- Complete set of Plans and Specifications, to include floor plans and elevations (front, rear, and side), signed by Borrower(s) and Dealer/Retailer.
  - Initial Site Plan must show lot dimensions, setbacks, easements adjoining roads, location of house, driveway and location of garage. If applicable, location of septic system and well to include distances.
  - Executed Dealer/Retailer Sales Contract
  - Executed 3<sup>rd</sup> Party land Sales Contract (if applicable)
  - All reports and available information (i.e., Title report, environmental reports or studies and inspection reports)
  - HUD 92541 Builder/Retailer Certification of Plans and Specifications form (for FHA/VA loans)
7. Plans and specifications requirements: Plans and specifications must be created by a professional with the appropriate certifications, background, training, and experience to produce these documents. Said professionals' qualifications must be acceptable to AFR. The Dealer/Retailer and Borrower agree and are satisfied with the outlined mechanical plan, including but not limited to HVAC, plumbing and electrical. The costs are incorporated into the final building proposal/costs. The mechanical plans for those systems will be made available post-closing to the Lender along with a copy of the permits for those systems.
- **Manufactured Homes:** floor plan, elevation drawings to include front, rear, and sides of home, engineer certified foundation/pier plan along with site letter indicating the HUD requirements being met. NOTE: VA REQUIRES MECHANICALS PRIOR TO CLOSING.
  - **Modular Homes:** floor plan, foundation plan and elevation drawings to include front, rear, and sides of home. HUD Form-92005 / VA Form-92005 Description of Materials (HVAC, Plumbing and electrical) can be provided post-closing along with copies of the permits. prior to funding by acknowledging this agreement. NOTE: VA REQUIRES MECHANICALS PRIOR TO CLOSING
  - **For all FHA and USDA loans:** The Dealer/Retailer and the Borrower(s) have discussed the Mechanical (HVAC, plumbing, and electrical) plans/design. The Dealer/Retailer and Borrower(s) agree and are satisfied with the outlined mechanical plan and the costs are incorporated into the final building proposal/costs. The HUD Form-

92005 Description of Materials for those systems will be made available post-closing to the Lender along with a copy of the permits for those systems.

- **For all VA loans:** VA Form- 26-1852 Description of Materials must be provided, to underwriting for their review prior to closing.

#### 8. Building Permits

- Are required where applicable per county and state requirements.
- Are required prior to closing of the loan.
- A copy of the building permit must be provided to AFR before work commences.

9. New or Existing Construction projects which have begun prior to closing or funding are ineligible for this program.

10. AFR requires first lien priority, and the note shall contain a provision that allows foreclosure in the event this Agreement is materially breached, including but not limited to exceeding time frames for build.

#### 11. Mechanics and/or Materialmen's liens:

- If present, are not eligible for this program.
- In the event that AFR becomes aware of such lien, the Dealer/Retailer shall pay all costs necessary to remove any such liens and shall reimburse and indemnify AFR, should AFR be required to (or determines it to be in their best interest and does) pay costs to remove such liens.
- No mechanic's and materialmen's liens may be filed against the real property which acts as AFR's collateral.
- AFR maintains the right to request sub-contractor's lien waivers from the Builder/Retailer, prior to disbursement of any funds.

12. The Dealer/Retailer and Borrowers understand and agree the Dealer/Retailer is responsible for delivering a home completed in accordance with FHA, VA, USDA, FNMA, and FHLMC guidelines. The Dealer/Retailer warrants all utilities (water, sewer, electrical, gas, plumbing, as applicable) are 100% functional at the time of delivery.

#### 13. Oregon Specific Requirements:

- Dealer/Retailer will submit a list of all sub-contractors utilized on the construction project. Lien waivers will be required from each sub-contractor, as services are provided.
- An Early Issue Title Policy is required. Any costs associated with this policy is the responsibility of the Borrower(s). This fee will be collected at initial closing and held in escrow until the completion of the construction project.

#### 14. Construction Matters & Disbursements:

- AFR will discuss all construction matters directly with the Dealer/Retailer who has executed the acknowledgment below and is considered the general contractor for this construction project.
- AFR will not discuss construction matters with any subcontractor.
- AFR does not hire or recommend contractors or sub-contractors, nor does it endorse or certify any Dealer/Retailer, but may, in its sole discretion, disqualify any contractor.
- The Dealer/Retailer must manage and resolve all sub-contractor matters.
- The Borrower(s) is/are solely responsible for resolving all construction issues with the manufacturer or Builder/Retailer.
- AFR's communication with the Retailer/Dealer is limited to draw disbursements and inspections and not directly related to the progress of the construction or the quality of the workmanship.

#### 15. No funds shall be disbursed during construction.

- The Builder/Retailer is solely responsible for payment to any sub-contractors involved with the construction project.
- AFR does not disburse funds directly to the sub-contractor or the Borrower(s). All funds are dispersed through the Escrow Agent.
- Borrower(s) may not receive funds from AFR or the Dealer/Retailer in return for work performed by Borrower(s).
- Borrower's participation as a sub-contractor is prohibited.

#### 16. Water Well (existing or to be constructed):

- Water well is only acceptable when public (municipal) water is not available at the lot boundary.
- If public water is not available, a developed well is required prior to any final inspection and/or certificate of occupancy.
- Any existing water well or well to be constructed must meet all applicable agency new construction guidelines (FHA, VA, USDA, FNMA, and FHLMC).
- Only drilled wells are acceptable.
- Newly drilled water wells require either a county well certification or a private company report dated within six (6) months of closing – documenting acceptable well flow and water purity.
- If a water well already exists a fully satisfactory water potability test is required (Bacteria / E-coli, Total Coliforms, Lead, Nitrate, and Nitrite). The cost of the water test is the Builder/Retailer's responsibility.
- Verification will be made on all water wells (existing or new) of the required distances from property lines and



built structures.

- A Well located within the foundation walls of New Construction is not acceptable except in arctic or sub-arctic regions.

The following tables provide the minimum distance required between Wells and sources of pollution:	
<b>Water Well location Minimum Property Standards for New Construction</b> <a href="#">24 CFR 200.926d(f)(3)(iv)</a> *	
1	Property line must be at least 10 feet
2	Septic tank must be at least 50 feet
3	Absorption field / 100 feet
4	Seepage pit or cesspool / 100 feet
5	Sewer lines with permanent watertight joints / 10 feet
6	Other sewer lines / 50 feet
7	Chemically poisoned soil / 25 feet (reduced to 15 feet where ground surface is protected by impervious strata of clay, hardpan, or rock)
8	Dry well / 50 feet
9	Other - refer to local health authority minimums
*Distance requirements of local authority prevail if greater than stated above	
The following provides the minimum standards for Individual Water Supply Systems (wells):	
<b>Individual Water System Minimum Property Standards for New Construction</b> <a href="#">24 CFR 200.926d(f)(1) and (2)</a>	
1	Lead-free piping
2	If no local chemical and bacteriological water
3	Connection of public water whenever feasible
4	Wells must deliver water flow of five (5) gallons per minute over at least a four (4) hour period

17. Sewer/ Septic Systems:

- If public (municipal) sewer is currently available, it must be set up at the lot boundary.
- If public sewer is not available, and an approved septic system has not yet been installed, a septic installation estimate, for the proposed size of home, from the septic installer, is required prior to closing.
- A PERC test will be required prior to closing on all transactions that will be purchasing an unimproved building lot or paying off a lien at closing that encumbers a building lot that does not currently have an existing septic system any exception to this will need to be approved by AFR management prior to closing.
- Septic system must be designed by an engineer who certifies that it is appropriate for the unit size that is being placed at the location. (Note, appropriate permits are also required).

18. Elevation Certificate is required if the property is in a FEMA identified flood zoon. Such certification will be required by AFR prior to closing based off construction drawings and A final certification will be required prior to final disbursement.

19. Flood Insurance requirements:

- If property is in a FEMA identified flood zone, flood insurance will be required,
- If any part of the security structure on the subject property is constructed in a Special Flood Hazard Area:
  - Proof of flood insurance will be required prior to initial closing.
  - Failure to provide flood insurance will create a delay in the closing process until provided.

20. Required Inspection Documents: FHA/USDA/Conventional

- All construction types require copies of building permits (or equivalent) and certificate of occupancy (or equivalent); as well as:
- **Modular; Retailer/Dealer to provide option 1 or 2:**
  1. Two inspections, (footing and final) performed by the local authority with jurisdiction over the Property or an ICC certified RCI or CI on HUD form 92051 for FHA and USDA. Conventional, the final inspection is completed by the appraiser on form 1004D/442, or
  2. Two inspections for (footing, and final) performed by a disinterested third-party, who is a registered architect or a structural engineer and has met the licensing and bonding requirements of the state in which the property is located. Conventional, the final inspection is completed by the appraiser on form 1004D/442.
- **Manufactured; Dealer/Retailer to provide option 1 or 2:**
  1. Two inspections (Initial & Final) performed by the local authority with jurisdiction over the property or an ICC, RCI or CI. Conventional, the final inspection is completed by the appraiser on form 1004D/442, or
  2. Two inspections (initial & final) performed by a disinterested third-party, who is a registered architect or structural engineer and has met the licensing and bonding requirements of the state in which the

property is located. Conventional, the final inspection is completed by the appraiser on form 1004D/442.

- VA

- a) If the local authority performs the required foundation, framing, and final inspections and issues a CO or equivalent, VA will accept the CO for the property as evidence of local authority inspections and satisfactory completion of construction. Please note that framing inspection is not required on manufactured, or modular homes.
- b) If the local authority performs the required foundation, framing, and final inspections, but does not issue a CO or equivalent, VA will accept copies of the inspection reports, which verify full compliance with local Builder codes, or a written statement from the local authority that states that the required inspections were performed satisfactorily.
- c) If the local authority does not perform the required inspections, the property must be covered by a 10-year insured protection plan that is acceptable to the Department of Housing and Urban Development (HUD), and a 1-year VA Builder's warranty.
- d) Final inspection. When the property is 100 percent complete, the lender will contact the original VA appraiser to complete the VA final inspection. If the original VA appraiser is not available, the lender will contact the RLC of jurisdiction for another VA appraiser to complete the final inspection.

- The cost of the final inspection and any required reinspection(s) is/are the Retailer/Dealer's responsibility.

21. VA loans only: Dealer/Retailer certifies that if property is located in Radon Zone 1 as designated by the EPA at the following website: <https://geopub.epa.gov/Radon/> that radon resistant construction techniques were used and construction will meet local building codes and state regulations for radon control, where applicable. In the absence of any building codes, certification will be based upon IRC requirements.

22. Final Inspection:

- AFR will order the final inspection when notified by the Dealer/Retailer
- The cost of the final inspection and any required reinspection(s) is/are the Dealer/Retailer's responsibility and financial obligation.

23. Change Orders

- All change orders must be submitted to AFR for approval, prior to any work being commenced.
- The cost incurred with the change order will be an expense above and beyond any escrowed construction funds from the loan.
- Change order expenses must be paid by the Dealer/Retailer or Borrower and will not be included in the escrowed funds for construction.
- Responsibility for payments related to any change orders is solely the responsibility of the Borrower(s). AFR will in no way be responsible for payments to any party related to change orders.

24. Scheduling Loan Closing:

- Loan closing will be scheduled no sooner than 2 business days after the AFR Underwriter has approved the loan and issued the "Clear-to-Close."
- Evidence of an active Dealer/Retailer risk/course of construction policy along with general liability policy are required prior to clearing the loan or closing. Policy will need to cover the Builder/Retailer final contract amount for home and improvements. AFR corporate should be listed as loss payee and the policy should be active at time of construction underwrite and valid until Builder/Retailer receives final disbursement.

25. No Draw Disbursements

- The Builder/Retailer agree to install the home "turnkey" to the Borrower(s) and receive their final draw upon completion and Final Stage Funding Requirements.

26. Final Stage Funding draw (final disbursement / draw) will be payable upon AFR's receipt and approval of (as applicable):

- approved final inspection,
- all required new construction forms,
- permits,
- Official 911 address, generally provided on letter head from the 911 coordinator, county, or local government,
- fully executed HUD 92544 Warranty of Completion,
- building permits or a (Required on Modular and Site Built)
- certificate of occupancy (Required on Modular and Site Built)
- Health Authority Approval Permit if a Well was constructed,
- Health Authority Approval to Construct Permit for a septic system if one was constructed,
- Initial compliance inspection/ pre-pour/ footer inspection: (See #21 above)
- Final Compliance Inspection including photos of all exterior sides and interior rooms showing utilities functioning. If manufactured home, photos of HUD tags or on modular homes, photos of Factory Built Unit Certifications "UBC" are required. Inspector to comment if there are any previous homes on site on the final

inspections.

- Completion of all necessary loan modification agreements, executed by the Borrower(s) and receipt of the originals, thereof

Final Compliance Inspection			
Loan program	Appraiser Completes	Compliance Form Needed	Engineer Cert needed if not provided prior to closing
FHA		HUD form 92051 (Completed by engineer or ICC, certified RCI, or CI inspector)	Yes
USDA		HUD form 92051 when Manufactured Home (Completed by engineer) or 1004D (completed by appraiser)	Yes
VA	Yes	NA	Yes
Conv	Yes	NA	Yes

- Provide a satisfactory septic inspection by a licensed septic installer or septic company. This should be on letter head signed and dated with installer license number. If you are making repairs to the existing, we will need county/local approval permits.
- Septic systems to be installed in accordance with county guidelines. Need evidence on county or local letter head indicating it meets requirements.
- Local Health Authority well water analysis - Bacterial and chemical test to be completed in accordance with HUD Guidelines. Must be tested from same water sample, brought to facility by a 3rd party and include satisfactory results for all of the following Lead, Nitrate, Nitrite, E. coli and Coliform.
- HUD-NPMA-99-A Subterranean Termite Treatment: Dealer/Retailer's Certification and Guarantee completed by Retailer indicating type of treatment used (required in most states)
- HUD-NPMA-99-B New Construction Subterranean Termite: Soil Treatment Record completed by Pest Control Company (if soil treatment method was used). Dealer/Retailer's is responsible for the cost of the termite pre-treatment.
- Dealer/Retailer to provide Placement survey on all projects: If well and septic are on site the placement survey must show the following distances: well to property line, well to foundation, well to septic, well to closest point of drain field. Distances will need to meet FHA required Min as you indicated on the plot plan at initial closing.
- Final homeowner's insurance binder Quote from initial closing. Builder/Retailer to have homeowner provide insurance binder once construction is complete and is ready to fund.
- Any other inspections, documents, forms, or Affidavits that AFR may in its sole discretion, require to be completed.

Additionally:

- Oregon requires all necessary lien waivers and affidavits of completion as well as the Early Issue Title Policy.
- This section is subject to change based on loan type (FHA and USDA).

27. Conversion to Permanent Financing:

- AFR reserves the right to reverify the information used to qualify the loan; the Borrower(s) agree to fully cooperate with AFR with any requests.

28. The foregoing notwithstanding, in the unlikely event that after making reasonable efforts to resolve a dispute with Borrower(s) over whether the home meets the requirements of the contract, the Builder/Retailer may hire an independent professional engineer (at their own expense and such engineer so certified by NPSE and appropriately licensed or similar accrediting organization) to evaluate and determine if the home complies with all applicable regulations and is constructed as agreed. If the engineer concludes that the home has met all applicable regulations and meets all the contractual requirements, including any addendums, between Dealer/Retailer and Borrower(s), AFR may accept such engineer's opinion as Borrower's authorization to issue the payment of the final funding to the Dealer/Retailer.

29. New Pool Construction is eligible for this program only in: AL, AZ, GA, FL, LA, MS, NM, NV, TX

- The pool contractor is a subcontractor of the General Contractor, or the General Contractor is building the pool,
- Must be an in-ground pool, above-ground pools are not permitted, and
- Follow all Agency, state, and local requirements.

30. Survey Requirements

- In States that require surveys, AFR requires an initial and final placement survey.
- In the event the title company requires a final placement survey, AFR will require a placement survey.
- In the event the title company does not require a placement survey and does not have an exception within Schedule B, AFR will accept a signed placement survey affidavit.
- Final placement survey required at completion prior to loan modification. Cost of the final survey is the

responsibility of the Dealer/Retailer.

**Construction Draw Schedule Details:**

Prior to commencement of construction, the Borrower(s) and Dealer/Retailer acknowledge and agrees to the terms and conditions and associated charges of the Construction-to-Permanent (C-to-P) Loan guidelines contained herein. Dealer/Retailer understands that any variance in compliance with the requirements of this Agreement and any of the construction loan agreement can delay AFR's ability to disburse funds. Unless applicable state law prohibits otherwise, compliance with the loan documents is required. Failure to comply may result in additional charges to the Builder/Retailer to bring the construction into compliance with the Agreement and the Construction Loan Agreement.

Borrower(s) explicitly agrees and understands that AFR, its agent's, successors and/or assigns, may, in its sole and exclusive judgement, share my non-public personal information with the Builder/Retailer their successors, assigns or agents.

Borrower(s) and Builder/Retailer expressly understand and agree that AFR is solely a lender in this transaction and AFR has no obligation to either Borrower(s) or Builder/Retailer in the event that the Subject Property is not completed or there is otherwise a dispute between Borrower(s) and Builder/Retailer. If the Subject Property is not completed within the one year limitation from closing, and/or Borrower(s) and Builder/Retailer are in a dispute that cannot or is not resolved pursuant to the terms of this Agreement, AFR, may in its sole discretion, use any money in escrow to make a principal reduction of the Note, in which case, such money will be unavailable to release to Builder/Retailer or to Borrower(s) to pay to another contractor and Borrower(s) and Builder/Contractor shall seek restitution as applicable only from each other and hereby indemnify AFR from and against any claims so long as AFR has complied with the terms of this Agreement. The foregoing is in addition to any other remedies AFR may have at law or equity and not in lieu thereof.

**Dealer/Retailer Performance Agreement**

I/We, the undersigned Dealer(s)/Retailer(s), hereby agree that in the event of default by applicant(s) under loan documents executed to finance construction of improvements we shall, at your option and direction, continue performance under our agreement with such applicant(s), provided that we are compensated for all work after said direction by you, your successors and/or assigns or purchaser in accordance with the agreement with the applicant(s).

**Signatures**

Each individual signing this Agreement directly and expressly warrants that he/she has been given and has received and accepted authority to sign and execute the documents on behalf of the Party for whom it is indicated he/she has signed, and further has been expressly given and received and accepted authority to enter into a binding agreement on behalf of such Party with respect to the matters concerned herein and as stated herein. If any party (Dealer/Retailer or Borrower) is a corporation, partnership (general or limited), limited liability company or trust, each person signing this Agreement represents that such person is authorized to execute this Agreement without the necessity of obtaining any other signature of any officer, partner, manager, member, trustee or beneficiary, that the execution of this Agreement has been properly authorized by the Board of Directors of the corporation, by the partners of the partnership, the members and/or managers of the limited liability company or the trustee or the trust, as the case may be, and that this Agreement is fully binding on the Dealer/Retailer and all Borrowers.

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Subject Property Address

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Authorized Dealer/Retailer signature                      Dealer/Retailer Name Printed                      Date  
(I certify that am authorized to sign on behalf of the Dealer/Retailer)

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Borrower's signature                      Borrower's Name Printed                      Date

-----  
Co-Borrower's signature                      Co-Borrower's Name Printed                      Date

-----  
Co-Borrower's signature                      Co-Borrower's Name Printed                      Date

-----  
Co-Borrower's signature                      Co-Borrower's Name Printed                      Date

-----  
Lender's Agent                      Lender's Agent Name Printed                      Date  
(I certify that am authorized to sign on behalf of the Lender)



### TAXPAYER CONSENT FORM

Loan Number: \_\_\_\_\_

Borrower(s): \_\_\_\_\_

Property Address: \_\_\_\_\_

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

I understand, acknowledge, and agree that the Lender and Other Loan Participants can obtain, use and share tax return information for purposes of (i) providing an offer; (ii) originating, maintaining, managing, monitoring, servicing, selling, insuring, and securitizing a loan; (iii) marketing; or (iv) as otherwise permitted by applicable laws, including state and federal privacy and data security laws. The Lender includes the Lender's affiliates, agents, service providers and any of aforementioned parties' successors and assigns. The Other Loan Participants includes any actual or potential owners of a loan resulting from your loan application, or acquirers of any beneficial or other interest in the loan, any mortgage insurer, guarantor, any servicers or service providers for these parties and any of aforementioned parties' successors and assigns.

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Borrower \_\_\_\_\_ Date \_\_\_\_\_

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Borrower \_\_\_\_\_ Date \_\_\_\_\_

**Construction/Permanent Loan Disclosure  
Conventional OTC**

In reference to the contract between the Borrower(s) \_\_\_\_\_ and  
(Builder/Retailer) \_\_\_\_\_ for a property to be constructed at:

\_\_\_\_\_.

The Builder/Retailer agrees that all construction loan costs will be paid by the Builder/Retailer, including but not limited to construction administration fees, construction underwriting fees, inspection fees, and any other financing charges incurred during the construction period.

**Note:**

**During the construction period, Borrower is responsible for all property taxes that may come due during this timeframe.**

Builder's/Retailer's Company Name	Signature	Title	Date

Borrower's Signature	Date

Co-Borrower's Signature	Date

## Disbursement Authorization and Appointment of Agent Conventional

The undersigned Borrower hereby authorizes \_\_\_\_\_ ("lender") and /or its successors or assigns to disburse construction draws to \_\_\_\_\_

(Builder/Retailer) during construction of the home located at the following property address:\_\_\_\_\_.

The final disbursement will be made upon execution and delivery of (i) the Affidavit of Completion and Indemnity by Builder/Retailer and (ii) the Affidavit of Completion and Acceptance by Borrower.

Borrower hereby appoints Builder/Retailer as Borrower's duly authorized agent for purposes of taking any actions (including, but not limited to, submissions of requests for loan draws for construction in the manner and on the forms prescribed by lender necessary on Borrower's behalf to obtain advances or draws pursuant to the Loan Agreement, to be executed at closing, between Borrower and Lender.

This appointment shall continue in the event of any subsequent disability of Borrower.

Borrower's appointment of Builder/Retailer hereunder may be revoked only by written revocation signed by Borrower, which revocation shall not be effective until received by both Builder/Retailer and \_\_\_\_\_ at the appropriate address as follows:

Builder/Retailer: \_\_\_\_\_  
Attn: \_\_\_\_\_  
\_\_\_\_\_

Executed this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, to be effective the date of the Loan Agreement.

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

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

Accepted:

\_\_\_\_\_  
Builder's/Retailer's Company Name

\_\_\_\_\_  
Builder's/Retailer's Signature Title

### Construction/Permanent Loan Disclosure Conventional OTC

In reference to the contract between the Borrower(s) \_\_\_\_\_ and  
(Builder/Retailer) \_\_\_\_\_ for a property to be constructed at:

\_\_\_\_\_.

The Builder/Retailer agrees that all construction loan costs will be paid by the Builder/Retailer, including but not limited to construction administration fees, construction underwriting fees, inspection fees, and any other financing charges incurred during the construction period.

**Note:**

**During the construction period, Borrower is responsible for all property taxes that may come due during this timeframe.**

Builder's/Retailer's Company Name	Signature	Title	Date
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Borrower's Signature	Date
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Co-Borrower's Signature	Date
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