

FHA FINANCING CONTINGENCY ADDENDUM

This addendum is made on _____, _____ to a sales contract (“Contract”) dated _____, _____ between _____ (“Purchaser”) and _____ (“Seller”) for the purchase and sale of the property (“Property”): _____

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.

- 1. FIRST DEED OF TRUST:** Buyer will obtain a First Deed of Trust loan in the amount of \$_____ 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.
- 2. FINANCING CONTINGENCY:** This Contract is contingent until 9:00 p.m. _____ Days after Date of Ratification (“Financing Deadline”) upon Buyer Delivering Notice to Seller removing the Financing Contingency. This Contingency may only be removed by either (1) (“All Cash Option”) Buyer Delivering Form #100 to Seller with evidence of sufficient funds available to complete Settlement without obtaining financing; or (2) (“Loan Option”) Buyer Delivering to Seller Form #100 which shall or shall not be accompanied by a letter from the lender (“Lender’s Letter”). Such Lender’s Letter shall include the following statements or statements substantially similar thereto:
 - a) Buyer is approved for the Specified Financing,
 - b) a ratified Contract has been received,
 - c) a written application for the financing has been made,
 - d) income, asset, and liability documentation on Buyer has been received,
 - e) Buyer’s credit has been reviewed, and
 - f) the application has been reviewed and meets underwriter and investor guidelines

NOTICE: Unless Buyer is removing the Financing Contingency using the All Cash Option, Form #100 shall not be delivered prior to lender’s receipt of a satisfactory appraisal(s).

If Buyer fails to remove the Financing Contingency by the Financing Deadline, this contingency will continue, unless Seller at Seller’s option gives Notice to Buyer that this Contract will become void. If Seller Delivers such Notice this Contract will become void at 9:00 p.m. on the third Day following Delivery of Seller’s Notice unless, prior to that date and time, Buyer removes the Financing Contingency using the All Cash Option or Loan Option described above.

Prior to satisfaction or removal of the Financing Contingency, if Buyer receives a written rejection for the Specified Financing and Delivers a copy of the written rejection to Seller, this Contract will become void.

3. APPRAISAL PROVISIONS:

- A. 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.
- B. 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 (1) that Buyer elects to proceed to settlement at the sales price in the Contract; or (2) 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:

- 1) Deliver notice accepting the terms contained in the other party's notice; **OR**
- 2) Deliver notice continuing negotiations by making another offer; **OR**
- 3) Deliver notice that this Contract shall become void at 9:00 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.

- 4. SELLER SUBSIDY/SELLER LOAN CHARGES:** Based upon the financing terms specified in this contract, Seller will pay at settlement \$_____ toward Buyer's charges (including but not limited to loan origination fees, discount points, buy down or subsidy fees, prepaids or other charges as allowed by lender). 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, and the remaining balance

of the Seller credit, if any, will then be applied to Buyer's other charges. Buyer will pay all remaining Buyer's charges. It is Buyer's responsibility to confirm with his lender that the entire credit provided herein may be utilized. If lender prohibits Seller from the payment of any portion of this credit, then said credit shall be reduced to the amount allowed by lender.

- 5. **TERMITE INSPECTION:** Fences and outbuildings shall be included in the inspection and certification.
- 6. **LENDER REQUIRED REPAIRS:** If, as a condition of providing financing under this Contract, the lender requires repairs to be made to the Property, then Buyer will give Notice to Seller of the lender's required repairs. Within 5 Days after such Notice, Seller will give Notice to Buyer as to whether Seller will make the repairs. If Seller will not make the repairs, Buyer will give Notice to Seller within 5 Days after Seller's Notice as to whether Buyer will make the repairs. If neither Seller nor Buyer will make the repairs, then this Contract will become void. This clause will not release Seller from any responsibilities set forth in any paragraphs contained in the Contract dealing with the condition of the Property or termites, or any terms specifically set forth in this Contract and any addenda. If the Property is sold "as is" Buyer will be responsible for all repairs.
- 7. **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 has been fully disclosed and is attached to the Contract.
- 8. **FHA REQUIRED NOTICE:** Buyer acknowledges receipt of HUD form #92564-CN entitled: For Your Protection: Get a Home Inspection.

BUYER'S INITIALS: _____ / _____

SELLER:

Date Signature

PURCHASER:

Date Signature

Date Signature

Date Signature

AGENT:

Date Signature

BROKER:

Date Signature

© 2009 Northern Virginia Association of REALTORS®, Inc.



This is a suggested form of the Northern Virginia Association of REALTORS®, Inc. ("NVAR"). This form has been exclusively printed for the use of REALTOR® and Non-Resident members of NVAR, who may copy or otherwise reproduce this form in identical form with the addition of their company logo. Any other use of this form by REALTOR® and Non-Resident members of NVAR, or any use of this form whatsoever by non-members of NVAR is prohibited without the prior written consent of NVAR. Notwithstanding the above, no REALTOR® or Non-Resident member of NVAR, or any other person, may copy or otherwise reproduce this form for purposes of resale.

