

CONSUMER RENOVATION INFORMATION

VA Renovation

Date: _____

Borrower Name(s): _____

Lender: _____ Loan Number: _____

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 ("Escrow Account").
2. The lender will require that a contingency reserve be placed in the Escrow Account to cover unforeseen repairs or deficiencies during the renovation. If funds remain in the account after the renovation is complete, they will be used to reduce the principal balance of your loan. If you deposit funds in 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.
4. You are responsible for negotiating any agreements or warranties with the contractor. The lender does not provide any warranty on the contractor or their 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. **Payments and Completion:** There will be no funds released at Closing. All funds will be released through the required draw request process. Funds for the renovation are released via a maximum of three (3) draws, including the final disbursement. Draws shall be initiated after inspection on a percentage of work completed, minus a 10 percent retainage to insure satisfactory completion of the project. Upon the Lender's receipt and approval of: (a) final Compliance Inspection Report from the VA Appraiser, (b) Borrower's Letter of Completion, (c) Contingency Release Letter, (d) Lien Release, and (e) Borrower's Authorization to release contractor funds, and clear Title update. All funds will be provided to the appropriate party via an ACH wire to their account. Any requests for funds/draws should be submitted to the Lender e-mail: renovation@afrwholesale.com.

The Renovation Department can be contacted at 800-624-0501 or by using the department's email.

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 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