

HOMEOWNER/CONTRACTOR AGREEMENT

Owner's Name(s):

Contractor's Name:

Address: _____

Address: _____

Telephone Number: Home: _____

Telephone Number: Work: _____

Work: _____

Fax: _____

Tax ID No.: _____

FHA Case No.: _____

License No.: _____

THIS AGREEMENT, made this date _____, between the above mentioned Homeowner (Owner) and Contractor, is for the rehabilitation of the property located at _____ that has been approved for FHA mortgage insurance under Section 203(k) of the National Housing Act. The Owner(s) shall pay the Contractor the sum of \$_____ for completion of the work, including all sales tax due by law, together with such increases or decreases in the contract price as may be approved in writing by the Lender. The work will begin within 30 days of the loan closing with the Lender and will be completed by **6 months from the date of settlement** unless delayed beyond the Contractor's control. The General Provisions listed below are made a part of this Agreement. The contract documents consist of the architectural exhibits listed in the Rehabilitation Loan Agreement between the Owner(s) and the Lender, or as described below (or on an attached sheet):

Owner(s) Signature(s) and Date

Contractor's Signature and Date

Owner(s) Signature(s) and Date

- 1. Contract Documents:** This Agreement includes all general provisions, special provisions and architectural exhibits that were accepted by the lender. Work not covered by this agreement will not be required unless it is required by reasonable inference as being necessary to produce the intended result. By executing this Agreement, the contractor represents that he/she has visited the site and understands local conditions, including state and local building regulations and conditions under which the work is to be performed.
- 2. Owner:** Unless otherwise provided for in the Agreement, the owner will secure and pay for necessary easements, exceptions from zoning requirements, or other actions which must precede the approval of a permit for this project. If owner fails to do so then the contract is void. If the contractor fails to correct defective work or persistently fails to carry out the work in accordance with the agreement or general provisions, the owner may order the contractor in writing to stop such work, or a part of the work, until the cause for the order has been eliminated.
- 3. Contractor:** The contractor will supervise and direct the work and the work of all subcontractors. He/she will use the best skill and attention and will be solely responsible for all construction methods and materials and for coordinating all portions of the work. Unless otherwise specified in the Agreement, the contractor will provide for and/or pay for all labor, materials, equipment, tools, machinery, transportation, and other goods, facilities, and services necessary for the proper execution and completion of the work. The contractor will maintain order and discipline among employees and will not assign anyone unfit for the task. The contractor warrants to the owner that all materials and equipment incorporated are new and that all work will be of good quality and free of defects or faults. The contractor will pay all sales, use and other taxes related to the work and will secure and pay for building permits and/or other permits, fees, inspections and licenses necessary for the completion of the work unless otherwise specified in the Agreement. The contractor will indemnify and hold harmless the owner from

Owners Initials: _____

Contractor's Initials: _____

and against all claims, damages, losses, expenses, legal fees or other costs arising or resulting from the contractors' performance of the work or provisions of this section. The contractor will comply with all rules, regulations, laws ordinances and orders of any public authority or HUD inspector bearing on the performance of the work. The contractor is responsible for, and indemnifies the Owner against, acts and omissions of employees, subcontractors and their employees, or other performing the work under this Agreement with the contractor. The contractor will provide shop drawings, samples, product data or other information provided for in this Agreement, where necessary.

4. **Subcontractor:** Selected by the contractor, except that the contractor will not employ any subcontractor to whom the owner may have a reasonable objection, nor will the contractor be required by the owner to employ any subcontractors to whom the contractor has a reasonable objection.
5. **Work by Owner or Other Contractor:** The owner reserves the right to perform work related to the project, but which is not a part of this Agreement, and to award separate contracts in connection with other portions of the project not detailed in this Agreement. All contractors and subcontractors will be afforded reasonable opportunity for the storage of materials and equipment by the owner and by each other. Any costs arising by defective or ill-timed work will be borne by the responsible party.
6. **Binding Arbitration:** Claims or disputes relating to Homeowner/Contractor Agreement or General Provisions will be resolved by the Construction Industry Arbitration Rules of the American Arbitration Association (AAA), unless both parties mutually agree to other methods. The notice of the demand for arbitration must be filed in writing with the other party to this Agreement and with AAA and must be made in reasonable time after the dispute has arisen. The award rendered by the arbitrator(s) will be considered final and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction thereof.
7. **Cleanup and Trash Removal:** The contractor will keep the owner's residence free from waste or rubbish resulting from the work. All waste, rubbish, tools, construction materials, and machinery will be removed promptly after completion of the work by the contractor.
8. **Time:** With respect to the scheduled completion of the work, time is of the essence. If the contractor is delayed at any time in the progress of the work by change orders, fire, labor disputes, acts of God or other causes beyond the contractor's control, the completion schedule for the work or affected parts of the work may be extended by the same amount of time caused by the delay. The contractor must begin work no later than 30 days after loan closing and will not cease work for more than 30 consecutive days. All work must be completed within One Hundred Eighty (180) days from the closing of the loan. A final compliance inspection report from the approved inspector stating all Work has been satisfactorily completed; Contractor's Lien Release and the Borrower's Letter of Completion must be received by the Lender within two (2) weeks of completion or One Hundred Eighty (180) days from the date of the note, whichever is earlier. If, for whatever reason, the final inspection verifying that all work is completed is not received within One Hundred Eighty (180) days of the date of the note, the Lender has the right to make a principal reduction payment with the funds being held in escrow. **If the funds held in escrow are used to make a principal reduction, the final payment to the Contractor will not be available from the Lender unless the Lender has agreed in writing through an approved change order to extend such time.**
9. **Payments and Completion:** Funds for the renovation are released per the executed draw agreement. All requests for funds should be submitted to the FHA 203K Draw Specialists assigned to the specific job. The Lender's 203K Concierges' Department can be reached by emailing RenovationConciergeService@remn.com. Payments may be withheld because of: (1) defective work not remedied; (2) failure of contractor to make proper payments to subcontractors, works, or suppliers; (3) persistent failure to carry out work in accordance with this Agreement or these general conditions, or (4) legal claims. Final payment will be due after complete release of any and all liens arising out of the contract or submission of receipts or other evidence of payment covering all subcontractors or suppliers who could file such a lien. The contractor agrees to indemnify the Owner against such liens and will refund all monies including costs and reasonable attorney's fees paid by the owner in discharging the liens. A 10% holdback is required by the lender to assure the work has been properly completed and there are no liens on the property.

Owners Initials: _____

Contractor's Initials: _____

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10. **Protection of Property and Persons:** The contractor is responsible for initiating, maintaining, and supervising all necessary or required safety programs. The contractor must comply with all applicable laws, regulations, ordinances, orders or laws of federal, state, county or local governments. The contractor will indemnify the owner for all property loss or damage to the owner caused by his/her employees or his/her direct or sub-tier subcontractors.
11. **Insurance:** The contractor will purchase and maintain such insurance necessary to protect from claims under workers compensation and from any damage to the owner(s) property resulting from the conduct of this contract.
12. **Changes in the Contract:** The owner may order changes, additions or modifications (using form HUD-92577) without invalidating the contract. Such changes must be in writing and signed by the owner and accepted by the lender. Not all change order requests may be accepted by the lender; therefore, the contractor proceeds at his/her own risk if work is completed without an accepted change order.
13. **Correction of Deficiencies:** The contractor must correct promptly any work of his/her own or his/her subcontractors found to be defective or not complying with the terms of the contract.
14. **Warranty:** The contractor will provide a one-year warranty on all labor and materials used in the rehabilitation of the property. This warranty must extend one year from the date of completion of the contract or longer if prescribed by law unless otherwise specified by other terms of this contract. Disputes will be resolved through the Construction Industry Arbitration Rules of the American Arbitration Association.
15. **Non-Approved Work: ALL WORK TO BE COMPLETED DURING THE 203K PROJECT ASSOCIATED WITH THIS HOMEOWNER/CONTRACTOR AGREEMENT (HOCA) MUST BE APPROVED BY THE LENDER.** In connection with the 203k loan being processed and administered by the Lender certification is hereby made regarding the following:
 - a. REMN has only authorized the rehabilitation construction/and or improvements described in the Rehabilitation Loan Agreement (including Architectural Exhibits).
 - b. The Borrower is not authorized to contract independently for any work beyond the scope of the Rehabilitation Loan Agreement (including Architectural Exhibits).
 - c. In the event that the Borrower and Contractor violate this directive and choose to contract independently for any work beyond the scope of the Rehabilitation Loan Agreement (and/or Architectural Exhibits), REMN will not be responsible for any dispute that arises. In addition, the Borrower and Contractor hereby AGREE TO INDEMNIFY AND HOLD HARMLESS, REMN from any loss, liability, damage or costs, including court cost and attorney's fees, that may be incurred as a result of the contracting for work beyond the scope of the Rehabilitation Loan Agreement (and/or Architectural Exhibits), WHETHER CAUSED BY OR CONTRIBUTED TO IN WHOLE OR PART by any action or failure to act, negligence, breach of contract, or other misconduct on the part of the REMN or otherwise.
16. **Termination:**
 - a. If the owner fails to make a payment under the terms of this Agreement, through no fault of the contractor, the contractor may, upon ten (10) working days written notice to the owner, and if not satisfied, terminate this Agreement. The owner will be responsible for paying the contractor for all work completed.
 - b. If the Contractor fails or neglects to carry out the terms of the Agreement, the borrower, after ten (10) working days written notice to the Contractor, may terminate this Agreement. The Borrower may then finish the Work by hiring a new Contractor acceptable to Real Estate Mortgage Network, Inc. (REMN). If the cost of completion of the Work exceeds the Agreement balance, the difference, as well as costs and reasonable attorney's fees made necessary to enforce the terms of this Agreement, shall be due and owing to Borrower from Contractor. The Contractor, upon termination of the Agreement, releases any claim to the funds remaining on the escrow account and acknowledges that REMN will use any funds remaining in the escrow account to complete the work including that REMN will use any funds remaining in the escrow account to complete the working including paying the Borrower's new Contractor.

If the contractor fails or neglects to carry out the terms of the contract, the owner, after ten working days written notice to the contractor, may terminate this Agreement.

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Contractor's Initials: _____