

APPENDIX 4

203(k) APPLICANT ACKNOWLEDGEMENT

I/We, the undersigned, do hereby acknowledge and understand that at the time of the loan closing of an FHA 203(k) Rehabilitation Loan, for which I/we have applied to _____(Lender), the proceeds designated for the rehabilitation or improvement, including a contingency reserve in the amount of \$_____(received from the borrower/loan proceeds), are to be placed in an interest bearing escrow account.

If there are unused contingency funds, mortgage payments or inspection fees in the Rehabilitation Escrow Account after the Final Release is processed, _____(Lender), in compliance with HUD regulations, must apply those funds to prepay the mortgage principal, provided those items are a part of the mortgage.

The net income (interest) earned by the Rehabilitation Escrow Accounts will be (1) paid to me/us or (2) applied to prepay the mortgage principal upon completion of the rehabilitation. This account is not, nor shall it be treated as an escrow for the paying of real estate taxes, insurance premiums, delinquent notes, ground rents or assessments.

I/We hereby request that _____(Lender), after final inspection is satisfactorily complete and the final release has been processed, will:

- _____ Pay the net interest income directly to me/us.
- _____ Apply the net interest income directly to the mortgage principal balance for an equal amount of principal reduction.
- _____ Other:

I/We further acknowledge, that if required to protect the priority of the Security Instrument, that _____(Lender) may retain the holdback, for a period not to exceed 35 days (or the time period required by law to file a lien, whichever is longer), to ensure compliance with state lien waiver laws or other state requirements. A copy of the final inspection report and Final Release Notice will be provided to me/us.

I/We further understand that the Plan Reviewer, Appraiser and Inspector's obligation is to assist the lender in determining the eligibility of the property for FHA mortgage insurance purposes only and that I/we are responsible to determine the soundness of the property before and after rehabilitation, including the value, cost estimates and the ability of the contractor to complete the rehabilitation in a satisfactory workmanlike manner in compliance with all accepted exhibits and local codes and ordinances.

Applicant Signature Date

Co-Applicant Signature Date

