FHA FINANCING CONTINGENCY ADDENDUM

This addendum is made on ______________, to a Sales Contract ("Contract") offered on ___________, between ____
("Purchaser") and ____
("Seller") for the purchase and sale of the Property: _______________________________________
____.

NOTICE: The parties should not include a separate appraisal contingency in this Contract, as the federally required appraisal language for FHA loans is already included in the FHA Amendatory Clause below.

1. **DEED(S) OF TRUST** Purchaser shall pay both upfront and monthly mortgage insurance premiums ("MIP") as required by FHA regulations. Subject to lender's approval, Purchaser reserves right to finance the upfront MIP, in which case the amount will be added to loan amount.

2. **FINANCING CONTINGENCY**
   A. This Contract is contingent until 9 p.m. on the ________ day after the Date of Ratification ("Financing Deadline") upon the Purchaser obtaining and delivering to the Seller a written commitment or conditional commitment(s), as applicable, for the financing described in the PRICE AND SPECIFIED FINANCING paragraph of this Contract.

   B. If this contingency has not been satisfied by the Financing Deadline, the contingency will remain in effect until the Settlement Date. However, upon the expiration of the Financing Deadline, the Seller may, at their option, deliver a Notice to the Purchaser stating that the Purchaser has three days to void the Contract. If the Purchaser does not void the Contract within three days of receiving the Seller's Notice, this contingency will be removed, and the Contract will remain in full force and effect without any Financing Contingency.

   C. This Contract will become void if, prior to the satisfaction of this contingency, the Purchaser receives a written rejection from the lender(s) to whom the Purchaser has applied for the Specified Financing pursuant to Paragraph 2, and the Purchaser delivers a copy of the written rejection to the Seller on or before the Settlement Date.

   D. The Purchaser will be in Default, regardless of whether this contingency has been removed, if Settlement does not occur on the Settlement Date for any reason other than a default by the Seller.

   E. If this Contingency has lapsed, or has not been fulfilled or waived, any delay in the Settlement Date required to meet the Purchaser's lender obligations under the TILA-RESPA Integrated Disclosure rule will not be considered a Default by the Purchaser. However, the Seller may choose to declare the Contract void in writing.

   F. Nothing in this agreement shall prevent the parties from mutually agreeing to terms that are acceptable to both, in writing.

NOTICE: The lender's written commitment will not be provided before the lender receives an acceptable appraisal.

3. **APPRAISAL PROVISIONS**

A. FHA Amendatory Clause
It is expressly understood that, regardless of any other provisions in this Contract, the Purchaser shall not be required to complete the purchase of the Property or face any penalties, such as forfeiture of the deposit, unless the Purchaser receives, in accordance with HUD/FHA or VA guidelines, a written statement from the Federal Housing Commissioner, the Department of Veterans Affairs, or a Direct Endorsement Lender, indicating that the appraised value of the Property is at least $ ____. The Purchaser retains the right to proceed with the purchase of the Property regardless of the appraised value. The appraised value is determined solely for the purpose of establishing the maximum mortgage amount that HUD will insure. HUD does not guarantee the value or condition of the Property. The Purchaser is advised to ensure that the price and condition of the Property are satisfactory.

NOTICE: The dollar amount to be inserted in the Amendatory Clause will be the purchase price specified in this Contract. If the Purchaser and Seller mutually agree to adjust the purchase price based on an appraised value that is lower than the original purchase price, a new Amendatory Clause will not be necessary.

B. Procedure in the Case of a Low Appraisal
If the written statement outlining the appraised value of the Property ("Written Statement") indicates a value lower than the Sales Price, the Purchaser must provide Notice to the Seller (1) stating that the Purchaser chooses to proceed to Settlement at the Sales Price in the Contract; or (2) requesting that the Seller reduce the Sales Price to a specified amount not less than the appraised value ("Purchaser Notice"); or (3) voiding the Contract due to the low appraisal. The Purchaser Notice must include a copy of the Written Statement. If the Purchaser Notice requests a price reduction, any subsequent Notices delivered after the Purchaser Notice will be handled as follows:

Within three 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) Provide Notice that this Contract will become void at 9:00 p.m. on the third day after Delivery, unless the recipient delivers Notice of acceptance of the most recently delivered offer before that date and time. If such acceptance occurs, the Contract will remain in full force and effect.

IF EITHER PARTY FAILS TO RESPOND WITHIN THREE DAYS OF THE DELIVERY OF NOTICE, THIS CONTRACT WILL BECOME VOID.

4. **SELLER SUBSIDY** Based on the financing terms in this Contract, Seller will pay at Settlement the Seller Subsidy toward Purchaser charges (including but not limited to loan origination fees, discount points, buy down or subsidy fees, prepaids, or other charges allowed by the lender). Any lender charges that cannot be legally or by regulation passed to the Purchaser will be paid by Seller. These charges will first be deducted from the Seller credit, and any remaining credit will apply to Purchaser's other charges. Purchaser will pay all remaining charges. It is the Purchaser's responsibility to confirm with their lender that the entire credit can be used. If the lender denies any portion of the credit, the amount will be reduced accordingly.

5. **WOOD-DESTROYING INSECT INSPECTION** Fences and outbuildings shall be included in the inspection and certification.

6. **LENDER REQUIRED REPAIRS** If the lender requires repairs to the Property as a condition of financing under this Contract, Purchaser will notify Seller of the required repairs. Within five days of such notice, Seller will inform Purchaser whether they will make the repairs. If Seller refuses, Purchaser must notify Seller within five days of Seller's response whether they will make the repairs. If neither party agrees to make the repairs, this Contract will be void. This clause does not release Seller from responsibilities outlined in sections titled UTILITIES WATER, SEWAGE, HEATING AND CENTRAL AIR CONDITIONING; PERSONAL PROPERTY AND FIXTURES; or WOOD-DESTRUCTING INSECT INSPECTION, or in the Private Well and/or Septic System Addendum, or any other terms in this Contract and its addenda.

7. **CERTIFICATION** Seller, Purchaser, and Broker(s) hereby certify that, to the best of their knowledge and belief, the terms of this Contract, to which this Addendum is attached, are accurate. Any additional agreements related to the purchase and sale of the Property have been fully disclosed and are attached to the Contract.

8. **FHA REQUIRED NOTICE** Purchaser acknowledges receiving HUD form #92564-CN titled: For Your Protection: Get a Home Inspection.

PURCHASER INITIALS: __________/__________

SELLER:	PURCHASER:
__________/____________________________	__________/____________________________
Date Signature	Date Signature
__________/____________________________	__________/____________________________
Date Signature	Date Signature