

FHA ADDENDUM



This addendum dated _____ is an addendum to a purchase agreement dated _____ between _____ (PURCHASER(s)) and _____ (SELLER(s)) for the property located at: _____

1) NOTICE TO HOMEOWNER

Assumption of HUD/FHA Insured Mortgages Release of Personal Liability - You are legally obligated to make the monthly payments required by your mortgage (deed of trust) and promissory note.

The Department of Housing and Urban Development (HUD) has acted to keep investors and non-creditworthy purchasers from acquiring one-to-four family residential properties covered by certain FHA-insured mortgages. There are minor exceptions to the restriction on investors: loans to public agencies and some non-profit organizations, Indian tribes or servicepersons; and loans under special mortgage insurance programs for property sold by HUD, rehabilitation loans or refinancing of insured mortgages. Your lender can advise you if you are included in one of these exceptions.

HUD will therefore direct the lender to accelerate this FHA-insured mortgage loan if all or part of the property is sold or transferred to a purchaser or recipient (1) who will not occupy the property as his or her principal or secondary residence, or (2) who does occupy the property but whose credit has not been approved in accordance with HUD requirements. This policy will apply except for certain sales or transfer where acceleration is prohibited by law.

When a loan is accelerated, the entire balance is declared "immediately due and payable." Since HUD will not approve the sale of the property covered by this mortgage to an investor or to a person whose credit has not been approved, you, the original homeowner, would remain liable for the mortgage debt even though the title to the property might have been transferred to the new buyer.

Even if you sell your home by letting an approved purchaser (that is, a creditworthy owner-occupant) assume your mortgage, you are still liable for the mortgage debt unless you obtain a release from liability from your mortgage lender. FHA-approved lenders have been instructed by HUD to prepare such a release when an original homeowner sells his or her property to a creditworthy purchaser who executes an agreement to assume and pay the mortgage debt and thereby agrees to become the substitute mortgagor. The release is contained in Form HUD 92210-1, ("Approval of Purchaser and Release of Seller"). You should ask for it if the mortgage lender does not provide it to you automatically when you sell your home to a creditworthy owner-occupant purchaser who executes an agreement to assume personal liability for the debt. When this form is executed, you are no longer liable for the mortgage debt.

2) HUD APPRAISED VALUE DISCLOSURE

I/(We) understand that my/(our) application for a FHA-insured mortgage is being processed under the Direct Endorsement (DE) Program. The lender has advised me (us) that the appraiser has assigned a value of \$_____ to the property being purchased. I am/We are aware that the final determination of value for mortgage insurance purpose will be made by the DE underwriter after he/she reviews the report. It is understood that I/(we) elect to cancel the application or renegotiate with the seller if the DE underwriter reduces the value below the amount set forth in the sales contract or requires additional repairs for which the seller will not be responsible.

3) MIP/FUNDING FEE ELECTION

FHA: Regarding the One-time Mortgage Insurance Premium, I elect:

() to pay a fee of _____ % of my mortgage amount in cash at the time of settlement or

() Monthly M.I.P.

() to finance a fee of _____ % of my mortgage amount.

NOTE: Discout Fee will be calculated on total loan amount including financed MIP.

4) **FHA Loans Only - YOU MAY PREPAY ANY OR ALL OF THE OUTSTANDING INDEBTEDNESS DUE UNDER YOUR MORTGAGE AT ANY TIME, WITHOUT PENALTY. HOWEVER, TO AVOID THE ACCRUAL OF INTEREST ON ANY PREPAYMENT AFTER THE DATE OF THE PREPAYMENT, THE PREPAYMENT MUST BE RECEIVED ON THE INSTALLMENT DUE DATE (THE FIRST DAY OF THE MONTH). OTHERWISE, YOU MAY BE REQUIRED TO PAY INTEREST ON THE AMOUNT PREPAID THROUGH THE END OF THE MONTH.**

4a) **Government Loans Only - RIGHT TO FINANCIAL PRIVACY ACT OF 1978** - This is notice to you as required by the Right to Financial Privacy Act of 1978 that the Department of Housing and Urban Development or the U.S. Department of Veterans Affairs has a right of access to financial records held by a financial institution in connection with the consideration of administration of assistance to you. Financial records involving your transaction will be available to the Department of Housing and Urban Development or the U.S. Department of Veterans Affairs without further notice or authorization but will not be disclosed or released to another Government agency or Department without your consent except as required or permitted by law.

I certify that I have read and understand the paragraphs above and acknowledge by my signature below that I have received a copy of this document.

<input checked="" type="checkbox"/>	SIGNATURE	DATE	<input checked="" type="checkbox"/>	SIGNATURE	DATE
<input checked="" type="checkbox"/>	SIGNATURE	DATE	<input checked="" type="checkbox"/>	SIGNATURE	DATE

I, the lender, certify that this notification was delivered to the borrower(s) at the time of initial loan application.

LENDER'S SIGNATURE _____ DATE _____