

**FHA FINANCING CONTINGENCY ADDENDUM**

This Addendum is made on \_\_\_\_\_, to a sales contract (“Contract”) offered on \_\_\_\_\_  
\_\_\_\_\_, between \_\_\_\_\_ (“Buyer”)  
and \_\_\_\_\_ (“Seller”)  
for the purchase and sale of Property: \_\_\_\_\_  
\_\_\_\_\_

**NOTICE: The parties should not include a separate appraisal contingency in this Contract, since the federally mandated appraisal language for FHA loans is contained in the FHA Amendatory Clause below.**

**1. DEED(S) OF TRUST** Buyer shall pay upfront and monthly mortgage insurance premiums (“MIP”) as required by FHA regulations. Subject to lender’s approval, Buyer reserves the right to finance any upfront MIP, in which event such amount shall be added to the loan amount.

**2. FINANCING CONTINGENCY**

- A.** This Contract is contingent until 9 p.m. \_\_\_\_\_ Days after Date of Ratification (“Financing Deadline”) upon Buyer obtaining and delivering to Seller a written commitment(s) or conditional commitment(s), as the case may be, 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, this contingency will continue up to and including Settlement Date. However, upon expiration of the Financing Deadline, Seller may at Seller’s option Deliver Notice to Buyer that Buyer has three days to void the Contract. If Buyer does not void the Contract within three days following Delivery of Seller’s Notice, this contingency is removed and the Contract will remain in full force and effect with no Financing Contingency.
- C.** This Contract will become void if, prior to satisfaction of this contingency, Buyer receives a written rejection from the lender or lenders to whom Buyer has applied pursuant to Paragraph 2 for the Specified Financing and Delivers a copy of the written rejection to Seller on or before Settlement Date.
- D.** Buyer will be in Default whether or not this contingency has been removed if Settlement does not occur on Settlement Date for any reason other than Default by Seller.
- E.** If this Contingency has expired, or has not been removed or satisfied, any delay of the Settlement Date necessary to comply with Buyer’s lender’s obligations pursuant to the TILA-RESPA Integrated Disclosure rule, is not a Default by Buyer; but, Seller may declare the Contract void in writing.
- F.** Nothing herein shall prohibit the parties from mutually agreeing to terms acceptable to both parties in writing.

NOTICE: Lender’s written commitment shall not be Delivered prior to lender’s receipt of a satisfactory appraisal(s).

### 3. APPRAISAL PROVISIONS

**A. FHA Amendatory Clause** It is expressly agreed that notwithstanding any other provisions of this Contract, Buyer shall not be obligated to complete the purchase of Property or to incur any penalty by forfeiture of deposit or otherwise unless Buyer has been given in accordance with HUD/FHA or VA requirements a written statement by the Federal Housing Commissioner, Department of Veterans Affairs, or a Direct Endorsement Lender setting forth the appraised value of Property of not less than \$\_\_\_\_\_. Buyer shall have the privilege and option to proceed with consummation of this Contract without regard to the amount of the appraised value. The appraised value is arrived at to determine the maximum mortgage the Department of Housing and Urban Development (“HUD”) will insure. HUD does not warrant the value or the condition of Property. Buyer should satisfy himself/herself that the price and condition of Property are acceptable.

NOTICE: The dollar amount to be inserted in the Amendatory Clause is the purchase price as stated in this Contract. If Buyer and Seller agree to adjust the purchase price in response to an appraised value that is less than the purchase price, a new Amendatory Clause is not required.

**B. Procedure in the event of a low appraisal** In the event that the written statement setting forth the appraised value of Property (“Written Statement”) indicates a value less than the Sales Price, Buyer shall Deliver Notice to Seller (1) stating that Buyer elects to proceed to Settlement at the Sales Price in the Contract; or (2) requesting that Seller change the Sales Price to a specified lower amount of not less than the appraised value (“Buyer’s Notice”); or (3) voiding this Contract based on the low appraisal. Buyer’s Notice shall include a copy of the Written Statement. In the event Buyer’s Notice requests a price reduction, Notices delivered subsequent to the delivery of Buyer’s Notice shall be treated 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) Deliver Notice that this Contract shall become void at 9:00 p.m. on the third Day following Delivery, unless the recipient Delivers to the other party Notice of acceptance of the last Delivered offer prior to that date and time, in which case, this Contract will remain in full force and effect.

#### **FAILURE OF EITHER PARTY TO RESPOND WITHIN THREE DAYS OF NOTICE DELIVERY WILL RESULT IN THIS CONTRACT BECOMING VOID.**

**4. SELLER SUBSIDY** Based upon the financing terms specified in this Contract, Seller will pay at Settlement the Seller Subsidy toward Buyer’s charges (including but not limited to loan origination fees, discount points, buy down or subsidy fees, prepaids or other charges as allowed by lender). The total amount of any lender charges which cannot by law or regulation be charged to Buyer will be paid by Seller. These charges will first be deducted from any Seller credit, and the remaining balance of Seller credit, if any, will then be applied to Buyer’s other charges. Buyer will pay all remaining Buyer’s charges. It is Buyer’s responsibility to confirm with his lender that the entire credit provided herein may be utilized. If lender prohibits Seller from the payment of any portion of this credit, then said credit shall be reduced to the amount allowed by lender.

5. **WOOD-DESTROYING INSECT INSPECTION** Fences and outbuildings shall be included in the inspection and certification.
6. **LENDER REQUIRED REPAIRS** If, as a condition of providing financing under this Contract, the lender requires repairs to be made to Property, then Buyer will give Notice to Seller of the lender's required repairs. Within five Days after such Notice, Seller will give Notice to Buyer as to whether Seller will make the repairs. If Seller will not make the repairs, Buyer will give Notice to Seller within five Days after Seller's Notice as to whether Buyer will make the repairs. If neither Seller nor Buyer will make the repairs, then this Contract will become void. This clause will not release Seller from any responsibilities set forth in the paragraphs titled UTILITIES WATER, SEWAGE, HEATING AND CENTRAL AIR CONDITIONING; PERSONAL PROPERTY AND FIXTURES; or WOOD-DESTROYING INSECT INSPECTION; or in the Private Well and/or Septic System Addendum or any terms specifically set forth in this Contract and any addenda.
7. **CERTIFICATION** Seller, Buyer and Broker(s) hereby certify that the terms of this Contract to which this Addendum is attached are true to the best of their knowledge and belief. Any other agreement(s) entered into between the parties with respect to the purchase and sale of Property has been fully disclosed and is attached to the Contract.
8. **FHA REQUIRED NOTICE** Buyer acknowledges receipt of HUD form #92564-CN entitled: For Your Protection: Get a Home Inspection.

**BUYER'S INITIALS:** \_\_\_\_\_ / \_\_\_\_\_

**SELLER:**

**BUYER:**

\_\_\_\_\_  
Date      Signature

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Date      Signature

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**AGENT/BROKER:**

**AGENT/BROKER:**

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Date      Signature

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Date      Signature

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