

Britannia Development Company, Inc.

Vendor Application

Thank you for your interest in working with Britannia Development Company, Inc. Please fill out the application and attached the required documents. The application must be returned within 14 days. If you have any questions please call 877-700-Britannia.

The application can be mailed to:

Britannia Development Company
14212 23rd Avenue N.
Plymouth, MN 55447

Faxed to: 952-241-4572

Or e-mailed to: info@britanniareo.com

Thank you,

Britannia Development Company, Inc.

Attachments

Please send all documentation with application

- ___ Personal or Business Resume
- ___ Exp date ___ Copy of Business License
- ___ Exp date ___ Copies of State or County Contractor Licenses as required in your State
- ___ Exp date _____ Certificate of Insurance, naming Britannia as an additional insured
- ___ Workers Compensation Exemption Form (if applicable)
- ___ Exp date _____ Signed W-9 (address placed on W-9 needs to be your billing address)

Information

Company Name: _____

Company Mailing Address: _____

City: _____ State: ____ Zip: _____

Company Billing Address: _____

City: _____ State: ____ Zip: _____

Phone Number: _____ Fax Number: _____

Email: _____ Website: _____

Owner: _____ Owner Contact Phone Number: _____

Contact Person: _____ Contact Persons Phone Number: _____

Company Information

How long has the company been in business? _____

How many employees work for your company? _____

How long has your company been doing work in the REO industry? _____

REO = Real Estate Owned/Bank Owned Foreclosure

How many properties are you capable of handling per week? _____

Service Information

List Service Area(s): _____

Are you currently providing similar service for any other clients? YES NO

Please list the services you provide: _____

References

List two client references and two business references below:

Name & Title

Phone Number

Address

Name & Title	Phone Number	Address

Insurance Requirements

Liability Insurance: Minimum \$1,000,000 Coverage.

Workman’s Comp: Lesser of \$1,000,000 Coverage or Statutory Limits.

Auto Insurance: Minimum \$300,000 Coverage.

*If you have no employees, fill out and attach a workman’s compensation exemption form.

*Proof of auto insurance is required if you have company owned vehicles.

A certificate of insurance must be attached to this application. Please have Britannia Development Company named as additional insured.

Vendor Contract / Agreement

THIS AGREEMENT entered into by and between Britannia Development Company Inc, hereinafter “BDC”, located at 14212 23rd Ave. N. Plymouth, MN 55447 and _____ (Contractor Name) located at _____ (Contractor’s Address), hereinafter referred to as “Contractor”, is made as follows: here as, BDC desires to have repairs and/or preservation services performed with respect to certain properties located in the state(s) of _____, and Whereas, Contractor agrees to perform such services under the terms and conditions stated herein and, Whereas BDC is in the business of providing repairs and property preservation services for its clients. Now therefore, in consideration of the payment of certain fees and the receipt of work the parties mutually agree as follows:

DUTIES: Contractor shall perform repair and/or repair services, BPO, property evaluations, and/or hazard insurance claim property repair services and/or other construction and property rehabilitative services and/or other duties as may be requested from time to time as ordered by BDC for BDC clients. BDC shall provide Contractor with specific tasks that Contractor is to perform hereunder, and the dates by which such tasks are to be completed. Inspection orders shall be completed and uploaded including all required documents in accordance with dates provided on inspection forms as provided by BDC. Repair services shall be completed and uploaded including all supporting documents in accordance with dates provided on work order forms as provided by BDC. Contractor shall perform all services promptly and diligently in a workman like manner within the time requested. All services will be performed in accordance with BDC present and future service standards, BDC Vendor Memoranda and as otherwise required by BDC, HUD, FHA, VA, and other relevant governmental and private entities. BDC Vendor Memoranda is defined as any document, paper or electronic, which delineates procedures and requirements relative to the performance of property preservation and inspection services and the standards as required by either BDC clients, HUD, FHA, VA, and other relevant governmental and/or private entities. Contractor compliance regarding documentation, evidentiary, and time of performance requirements is a material requirement of this Agreement. Contractor understands that time is of the essence in providing BDC with the information, reports, services, invoices, photographs, and other services ordered by BDC pursuant to this Agreement. Contractor further understands and acknowledges that BDC may suffer significant damages in the event Contractor does not perform its duties hereunder in a timely manner as requested and ordered by BDC. In the event Contractor fails to complete any task assigned pursuant to this Agreement, BDC may at its sole discretion 1) recover its damages from Contractor by offsetting such sums from future payments for work performed by Contractor prior to or subsequent to Contractor’s breached work assignment, and 2) engage another qualified party to complete Contractor’s property preservation or property inspection assignment. Damages are such sums as may be withheld from BDC by its clients or which an BDC client requests and receives reimbursement from BDC, (“Charge backs”) and/or any profit that BDC was entitled to receive if the Contractor performed the work in accordance with this Agreement. Damages may be offset by BDC in the event that the Contractor breaches this Agreement, fails to complete work within the required timeframes, fails to update work order notes, fails to submit complete documentation supporting work completed in a timely manner, and/or fails to provide invoices, photographs, dump fee receipts, and/or manifest receipts evidencing work in a timely manner. Contractor must save all documents including but not limited to bids, invoices, photos, dump fee receipts, and manifest receipts for 5 years. If BDC engages a third party to complete Contractor’s uncompleted property preservation service(s) or property inspection(s), BDC may withhold and offset from Contractor’s future payments, the funds paid to said third party and any profit due to BDC from client which is withheld by client due to delay of completion of service.

WORK ASSIGNMENTS: The parties agree that each job contracted and assigned to Contractor shall be on a job-by-job basis and that this Agreement shall govern all transactions between the parties. BDC reserves the right to reassign work at its sole discretion.

EXCLUSIVITY: This Agreement is not exclusive. BDC reserves the right to engage the services of other Contractors to perform similar services in Contractor’s geographic area as defined in this Agreement. Contractor reserves the right to perform similar services for others.

INDEPENDENT CONTRACTOR: Contractor acknowledges that it is an independent Contractor not an employee of BDC. Contractor shall be solely responsible for all federal, state and local income taxes, unemployment taxes, social security taxes, and contributions of any kind, worker’s compensation insurance, worker’s compensation premiums, and any and all other forms of insurance and/or taxes required to provide the services outlined in this Agreement. Nothing in this Agreement shall be construed to create an employer/employee relationship, joint venture or partnership agreement between the parties hereto. Contractor is solely responsible for the work to be performed and, other than receiving the request and description of work from BDC; BDC does not have control of or direct the work to be done.

INDEMNITY: Contractor agrees to save, defend and indemnify, and hold harmless, BDC from and against any and all claims of any kind, whatsoever arising from (i) any act, omission or negligence by Contractor, Contractor’s agents, employees, representatives, subcontractors and any and all others acting upon Contractor’s behalf, or (ii) any accident injury or damage caused to any person or entity, or to the property of any person or entity, where such accident, damage or injury resulted or is claimed to have resulted from any act, omission or negligence on Contractor’s part, or (iii) failure to adhere to any applicable law, rule or regulation of any governing body having jurisdiction over work performed pursuant hereto, or (iv) any act, omission or default under any of Contractor’s undertakings in this Agreement. This indemnity and hold harmless Agreement shall include Indemnity against all costs, expenses, fines, liabilities, and attorney fees from or in connection with any such claims or proceedings brought here on and the defenses thereof.

(Vendor Initial)

LIENS: Contractor agrees to, and hereby does waive any and all rights under any and all applicable state statutes to file liens of any kind whatsoever against properties on which it, or its subcontractors have performed work, for nonpayment of invoices or any other reason whatsoever. Contractor further agrees to take no action of any kind which would affect in any way the chain of title to such properties including but not limited to the filing of any liens, lis pen dens notices, civil actions, and/or the taking of any action which clouds title to such properties or in any way interferes or affects BDC's clients' ability to transfer title to the subject property to third parties. The party agrees that in the event Contractor breaches this provision and files a lien against any property covered by this Agreement as a result of an BDC work assignment, irreparable damage to BDC's reputation and business relationships will be caused. The parties agree that BDC's liquidated damages for breach of this provision will be in the amount of fifty thousand dollars, plus the dollar amount of the lien or other encumbrance placed on any applicable property by contractor, plus the attorney's fees and costs of BDC in the removal or clearance of the title clouding issue.

If a lien of any nature is filed by any person or entity who has supplied materials or work/and or services of any kind at the request of Contractor, or its Subcontractors, against a property or properties upon which Services were performed for BDC pursuant to this Agreement, Vendor shall promptly, at its expense, take any and all action necessary to cause any such lien to be released or discharged, and shall indemnify BDC against any and all losses, claims and damages, including reasonable attorney's fees and costs resulting from Vendor's failure to obtain a release or discharge of any such lien. Nothing contained in this provision shall limit or prevent BDC from taking whatever action it deems necessary to protect the value of any applicable property and its interest in the subject real property, including but not limited to the right to obtain immediate reimbursement from Contractor or Vendor upon BDC's payment of the disputed amount. This provision shall survive the termination of this Agreement.

INSURANCE: Upon execution of this Agreement, and prior to the Subcontractor's commencing any work of services with regard to the Project, the Subcontractor shall carry commercial general liability insurance on ISO form CG 00 01 10 01 (or a substitute form providing equivalent coverage)and the Subcontractor shall provide the contractor with a Certificate of Insurance and Additional Insured Endorsement on ISO form CG 20 10 11 85 (or a substitute form providing equivalent coverage)or on the combination of ISO forms CG 20 10 10 01 and CG 20 37 10 01 (or a substitute form providing equivalent coverage) Naming the Contractor and the Owner as Additional Insured's there under. Additional insured coverage shall apply as primary insurance with respect to any other insurance afforded to Owner and Contractor. The coverage available to the Contractor and Owner as Additional Insured's, shall not be less than \$1 million dollars each occurrence, \$2 million General Aggregate (subject to a per project general aggregate provision applicable to the project), \$2 million Products/Completed Operations Aggregate and \$1 million Personal and Advertising Injury limits. Such insurance shall cover liability arising from premises, operations, independent contractors, products/completed operations, personal and advertising injury, and liability assumed under an insured contract (including a tort liability of another assumed in a business contract). There shall be no endorsement or modification of the Commercial General Liability form arising from pollution, explosion, collapse, underground property damage or work performed by subcontractors. All coverage shall be placed with an insurance company duly admitted in the State of which the work is performed and shall be reasonably acceptable to Contractor. All Subcontractor insurance carriers must maintain an A.M. Best rating of "A-"or better. Coverage shall be afforded to the Additional Insured's whether or not a claim is in litigation.

**This language reflects a Statue of Limitations such as applicable in the State of California. Language for agreements to be executed in each state should follow that state's applicable Statue of Limitations.*

Each Certificate of Insurance shall provide that the insurer must give the Contractor at least 30 days prior written notice of cancellation and termination of the Contractor's coverage there under. Not less than two weeks prior to the expiration, cancellation or termination of any such policy, the Subcontractor shall supply the Contractor with a new and replacement Certificate of Insurance and Additional Insured endorsement as proof of renewal of said original policy. Said new and replacement endorsements shall be similarly endorsed in favor of Contractor and Owner as set forth above.

Additionally, and prior to commencement of the Work, the Subcontractor shall provide the Contractor with a Certificate of Insurance showing liability insurance coverage for the Subcontractor and any employees, agents, or Sub-Subcontractors of the Subcontractor for any Workers' Compensation, Employer's Liability and Automobile Liability. In the event any of these policies are terminated. Certificates of Insurance showing replacement coverage shall be provided to Contractor. Coverage's shall be no less than the following:

Workers Compensation and Employers Liability Insurance: As required by law and affording thirty (30) days written notice to Contractor prior to cancellation or non-renewal, providing coverage of not less than \$1,000,000 for bodily injury caused by accident and \$1,000,000 for bodily injury by disease.

Business Auto Liability Insurance: Written amount of not less than \$1,000,000 each accident.

Waiver of Subrogation: Subcontractor shall obtain from each of its insurers waiver of subrogation on Commercial General Liability in favor of Contractor and Owner with respect to Losses arising out of or in connection with the Work.

(Vendor Initial)

ENVIRONMENTAL COMPLIANCE: Contractor bears the sole responsibility for determination of the manner and nature of the removal of all debris, trash, hazardous materials, personal property and any and all other materials from properties pursuant to property preservation work orders under this Agreement. Contractor shall perform all material removal and disposal in compliance with all applicable laws. Contractor shall remove and dispose of no items of hazardous waste unless said disposal is in compliance with all applicable local, state, and federal environmental laws, rules and regulations. Contractor shall abide by all applicable local, municipal, state, and federal rules and regulations regarding the disposal of any and all materials of any kind whatsoever from any property which Contractor performs repairs/property preservation services.

CONFIDENTIAL INFORMATION: The Contractor shall not, while performing services pursuant to this agreement or otherwise, disclose or use for the benefit of himself or herself or any other person, corporation, partnership, joint venture, association, or other business organization, any of the trade secrets or confidential business information of BDC. For the purpose of this Agreement, "trade secrets" of BDC shall include, but shall not be limited to, any proprietary and technical information of BDC in the nature of sales, pricing methods, operating systems, and associated procedures and systems, parts, information, programs, services, systems, inventions, business techniques and the like developed or employed by BDC. For the purpose of this Agreement, "confidential business information" of BDC shall include any information that is (i) of any value or significance to BDC, and (ii) not generally known to the competitors of BDC nor intended by BDC for general dissemination, including but not limited to any and all proprietary and technical information of BDC in the nature of business operations, operating systems, and associated procedures and systems, accounting and financial data, customers lists, current or potential suppliers/vendors, design systems, pricing and discounting practices, BDC market data, sources of supply, special programs relating to sales, project files, prospect reports, training, products and equipment, and information about BDC itself and its executives, officers, directors, and employees.

Contractor acknowledges that in the course of its dealings with BDC, Contractor may receive or learn confidential information concerning third parties to whom BDC has an obligation of confidentiality, including but not limited to all "nonpublic personal information" about "customers" and "consumers" (as those terms are defined in Title V of the Gramm-Leach-Bliley Act and the privacy regulations adopted there under (the "Act")) ("Confidential Information"). The Confidential Information may include but not be limited to personal or financial information about individuals who have applied for or purchased financial products or financial services from Clients of BDC.

Contractor agrees that it will keep all Confidential Information strictly confidential; that it will not disclose to any third party other than an affiliate of BDC, either orally or in writing, any Confidential Information without the prior written consent of BDC; and that Contractor will not appropriate any Confidential Information to its own use or to the use of any third party. Contractor shall use confidential information that is provided by BDC only for the purpose for which it was provided and access to it shall be restricted to individuals who require the information to further that purpose.

Contractor agrees to comply and cooperate with any and all additional privacy or confidential information policies as promulgated in the future by clients of BDC. Contractor agrees to take reasonable measures, including without limitation such measures as it takes to safeguard its own confidential information, to ensure the security and confidentiality of all such Confidential Information, to protect against anticipated threats or hazards to the security or integrity of such Confidential Information and to protect against unauthorized access to or use of such Confidential Information, including but not limited to the proper disposal of such information. Contractor agrees that at all times it shall be in compliance with the Act.

NON-COMPETITION. Britannia Development understands and accepts that Contractor currently may be providing similar services for similar customers. Contractor agrees and acknowledges that: In its capacity as Contractor it has and will have necessary access to and utilize the confidential proprietary and secret information and trade secrets of the Company. In the event that this Agreement is terminated at any time for any reason, including expiration of the Agreement by its own terms, Contractor will not for a period of two (2) years after the date of such termination, directly or indirectly, on its own behalf, on behalf of any other person, or as a partner, shareholder, officer, director, employee, agent, consultant or trustee of any entity or otherwise, engage in any national servicer direct business or activity in direct or indirect competition with the Company, its subsidiaries, affiliates or successors within a geographical area of fifty (50) miles of any place in which the Company has done, or is doing business on the date of the termination of the Agreement or has done business during this Agreement. Contractor agrees upon termination of this Agreement that Contractor will not retain any of Company's software, books, records, documents, invoices, customer lists or any copies of such documents and Contractor agrees to return to Company any such software, books, records, documents, invoices, customer lists or copies of the same that may have been removed by Contractor at any time during the term of this Agreement. Company and Contractor agree that the period of time and the geographical area specified in the this non-competition provision are reasonable view of the nature of the business in which Company is engaged especially in light of the internet and the international market for software as such as Company will produce and market. However, if any such periods or such area should be judged unreasonable at any judicial proceedings, then such period of time and/or area will be reduced as deemed reasonable so this covenant may be enforced in such area and during such period of time as is adjudged to be reasonable. The limitations and restraints imposed on Contractor within this provision shall not apply to customers of Contractor prior to the effective date of this Agreement or customers of Contractor that are not customers of Britannia Development.

(Vendor Initial)

NON-SOLICITATION: Contractor agrees and acknowledges that during the term of this Agreement and for a period two (2) years thereafter, Contractor will not directly or indirectly (whether as an employee, contractor, officer, director, agent, consultant or otherwise) contact or solicit from any customer or former customers of Company nor any other referring sources for customers used by Company, for any purpose which is the same as, similar to or competitive with the business of Company, including any services, service issues, sales, research, development, or marketing, where Company, at the time of Contractor's termination, was engaged in the services, sales, research, development, or marketing and/or providing of the same or similar services and/or products, regardless of geographical area. Contractor will not directly or indirectly induce or attempt to induce any customer, former customers or professional references and referral sources of the Company to reduce the level of business with or to cease or refrain from doing business with the Company, or in any way to interfere or attempt to interfere with business or professional relationships between the Company, its affiliates and any such persons. Contractor covenants and agrees that during the term of this Agreement and for a period of two (2) years thereafter, Contractor will not directly or indirectly (whether as an employee contractor, officer, director, agent, consultant, or otherwise) become employed with, provide services for, or consult with any customer or former customer of the Company or family members of such customer or with any professional referral source of the Company, where the purpose of such employment, services or consultation is to provide services which are similar to or competitive with the services of the Company by Contractor to such customer or former customer; nor will Contractor otherwise engage in the providing of services which are similar to or competitive with Company to any customer or former customers of the Company. Contractor covenants and agrees that during the term of this Agreement and for a period of two (2) years thereafter, Contractor will not directly or indirectly (whether as an employee contractor, officer, director, agent, consultant or otherwise) induce or attempt to induce, proselyte, or hire for any purpose any of the employees, agents or contractors of the Company, and shall not attempt to alienate any such persons from the Company or otherwise attempt to interfere with the relationship between the Company and any such persons. This limitations and restraints imposed on Contractor within this provision shall not apply to customers of Contractor prior to the effective date of this agreement or customers of Contractor that are not customers of Britannia Development.

CONTRACTOR PAYMENTS TO THIRD PARTIES: Contractor shall pay any monies owed to its employees, agents, servants, and subcontractors, representatives, material men, and suppliers with respect to work on any property assigned to Contractor pursuant to this Agreement. Contractor shall not permit or cause any lien to be filed on any property by either Contractor or any third party that provides services to Contractor pursuant to this Agreement. Contractor shall be responsible for all costs incurred in connection with the performance of services hereunder and shall bear any loss or damage to materials, vehicles or other articles held or used in connection with said services.

PAYMENT FOR SERVICES AND CHARGEBACK(S): BDC shall pay Contractor for services rendered in connection with work performed for BDC on a net 30-day basis. Payment to Contractor for services rendered to BDC shall be in Accordance with the BDC Pricing Schedule, duly executed by Contractor and attached to this agreement as Addendum #1. Addendum #1 is hereby incorporated by reference into this agreement. BDC reserves the right to reduce the amount of any invoice submitted by Contractor where and when said invoice fails to comply with BDC billing deadlines or other documentary, evidentiary, customer or other requirements as may be communicated to Contractor through BDC vendor memoranda or other means. Contractor specifically grants to BDC a right of offset against balances due to Contractor, regarding work or documentation of work, which is charged back to BDC by BDC's clients. Charge backs to Contractor shall be non negotiable and at the sole discretion of BDC.

BREACH: In the event of Contractor's breach of the terms of this Agreement, either in whole or in part, relative to any repair/ property preservation work order or property inspection assignment, BDC may, in addition to any remedies provided within this Agreement, arrange for completion of the preservation service or inspection and charge Contractor the cost of said service.

COMPLIANCE WITH LAWS, PAYMENT OF TAXES: Contractor warrants that at all times it shall comply with all applicable federal, state, local, and other laws and regulations (and as such laws and regulations may have been amended or may be amended from time to time in the future) in performing the Services and its other obligations pursuant to this Agreement.

DISPUTE RESOLUTION: This Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota, County of Hennepin without application of its principles of conflict of law. The parties choose the state and federal courts of Hennepin County Minnesota as the chosen venue for any litigation between the parties related in any way to this Agreement. The prevailing party in any dispute arising out of or related to this Agreement, shall be entitled to recover the costs incurred, which costs shall include reasonable attorney's fees, in any legal proceedings including all mediation, arbitration, administrative, appellate or Bankruptcy proceedings. Contractor hereby knowingly, voluntarily, and intentionally waives any and all rights it may have to a trial by jury regarding any and all litigation arising out of this Agreement or any and all transactions contemplated herein or any course of conduct or dealings, statements (either verbal or written) or actions of any party related thereto. Contractor hereby waives any right it may have to seek to consolidate any such litigation with any other litigation in which a jury trial cannot or has not been waived.

TERMINATION: This Agreement may be terminated with or without cause by either party with thirty days notice for any reason. Termination of this Agreement by either party shall not release Contractor from any responsibility or liability on the part of Contractor that arises prior to termination. Contractor is responsible for completing all outstanding work within the required timeframes. Upon termination of this agreement, BDC may withhold all funds due to Contractor for services rendered thru the date of termination for a period of 90 days in order to ascertain the applicable offset, if any. All appeals must be submitted no later than 45 days of contractors last day of termination of contract. BDC reserves the right to pursue and collect any chargeback's after termination of contract.

(Vendor Initial)

TERM: Unless terminated by the mutual consent of the parties or as otherwise provided for herein, this Agreement shall be binding on the parties from the effective date of this Agreement and shall thereafter be automatically renewed on a year to year basis unless otherwise determined by the parties.

NOTICE: Any notice provided for in this Agreement shall be given by mailing such notice by certified mail to the address stated in the introductory paragraph or a party designates such other address in writing.

ENTIRE AGREEMENT: This Agreement sets forth the entire understanding of the parties and supersedes all prior written and oral communications relating thereto. This Agreement may be modified or amended only in writing, signed by a duly authorized representative of each party.

CHANGES AND MODIFICATIONS: This Agreement may be modified or amended only in writing, signed by a duly authorized representative of each party. Section headings are for the convenience of reference only and shall not be construed otherwise.

WAIVER: No failure to exercise, or delay in exercising, on the part of either party, any right, power or privilege hereunder shall operate as a waiver therefore nor will any single or partial exercise of any right, power or privilege hereunder preclude the further exercise of the same right or the exercise of any other right hereunder.

SEVERABILITY: If any part of this Agreement is adjudged by a court of competent jurisdiction to be invalid, such judgment shall not affect or nullify the remainder of this Agreement, which shall remain in full force and effect.

ASSIGNMENT: Contractor may not assign, transfer or otherwise delegate any of its rights or responsibilities under and pursuant to this Agreement without the prior written consent of BDC. Any attempted assignment shall be null and void.

Signed this _____ day of _____

2011 Signed this _____ day of _____ 2011

By vendor:

BDC Development Company, Inc.

Addendum to Contract

- Please be advised that all repair approvals will be sent via email.
- All email instructions must be adhered to for all properties including the option of a \$100 per diem penalty for jobs not completed on time.

To all subcontractors,

After much research and conversations with the MN FHA contact, here are my findings on FHA requirements for financing homes;

<http://portal.hud.gov/hudportal/HUD?src=/groups/appraisers>

The Fall 2010 FHA Appraiser Spotlight-Primary Elements of Minimum Property Requirements (MPR): The Primary elements of minimum property requirements for FHA eligible properties are correctly referred to as, safety, soundness and security. Often the three elements relate to and impact one another. **Safety** refers to the health, habitability and sanitary conditions of a property. Deficiencies or a lack of functioning components of plumbing, electrical or heating and cooling may create hazards. **Soundness** relates to the structure and structural components of the dwelling. Such as floor, wall and roof framing systems. Decks, porches and patios may also pose structural issues. Security is the MPR element that creates the most confusion. **Security** refers to the risk to the Insurance Fund in terms of a property's ability to serve as collateral for the FHA insured loan. Marketability is one of the things to be considered under Security. External influences may also impact the ability of the property to serve as collateral.

Repair Requirements

As stated in Revised Appendix D, FHA now permits an "as-is" appraisal for existing properties that serve as security for FHA-insured mortgages when minor property deficiencies, which generally result from deferred maintenance and normal wear and tear, do not affect the safety of the occupants or the security and soundness of the property. FHA no longer requires repairs for these types of minor cosmetic deficiencies to bring a property into compliance with FHA Minimum Property Requirements.

Handbook 4150.2 is no longer applicable as well. Examples of minor property conditions that no longer require automatic repair for **existing** properties include, but are not limited to:

- Missing handrails
- Cracked or damaged exit doors that are otherwise operable
- Cracked window glass
- Defective paint surfaces in homes constructed post 1978
- Minor plumbing leaks (such as leaky faucets)
- Defective floor finish or covering (worn through the finish, badly soiled carpeting)
- Evidence of previous (non-active) Wood Destroying Insect/Organism damage where there is no evidence of unrepaired structural damage
- Rotten or worn out counter tops
- Damaged plaster, sheetrock or other wall and ceiling materials in homes constructed post- 1978
- Poor workmanship
- Trip hazards (cracked or partially heaving sidewalks, poorly installed carpeting)
- Crawl space with debris and trash
- Lack of an all weather driveway surface

Examples of property conditions that may represent a risk to the health and safety of the occupants or the soundness of the property for which FHA will continue to require automatic repair for **existing** properties include, but are not limited to:

- Inadequate access/egress from bedrooms to exterior of home
- Leaking or worn out roofs (if 3 or more layers of shingles on leaking or worn out roof, all existing shingles must be removed before re-roofing)
- Evidence of structural problems (such as foundation damage caused by excessive settlement)
- Defective paint surfaces in homes constructed pre-1978
- Defective exterior paint surfaces in home constructed post-1978 where the finish is otherwise unprotected.

Lenders must review the appraisal to determine whether the appraiser has reported any property conditions that will affect the health and safety of the occupants or the security and the soundness of the property and must require immediate repair where the property condition poses a threat to these criteria.

Inspection Requirements

FHA no longer mandates automatic inspections for the following items and/or conditions in **existing** properties:

- Wood Destroying Insects/Organisms: inspection required only if evidence of active infestation, mandated by the state or local jurisdiction, if customary to area, or at lender's discretion
- Well (individual water system): test or inspection required if mandated by state or local jurisdiction; if there is knowledge that well water may be contaminated; when the water supply relies upon a water purification system due to presence of contaminants; or when there is evidence of:
 - Corrosion of pipes (plumbing)
 - Areas of intensive agriculture within ¼ mile
 - Coal mining or gas drilling operations within ¼ mile
 - Dump, junkyard, landfill, factory, gas station, or dry cleaning operation within ¼ mile
 - Unusually objectionable taste, smell or appearance of well water(superseding the guidance in Mortgagee Letter 95-34 that requires well water testing in the absence of local or state regulations)
- Septic: test or inspection required only if evidence of system failure, if mandated by state or local jurisdiction, if customary to the area, or at lender's discretion
- Flat and/or unobservable roof

Consequently, the guidance provided in Handbook 4150.2, Chapter 3, Paragraph 3-6, A-6 referencing mandatory termite inspections for any structure that is ground level and for any structure where wood touches the ground; Paragraph 3-6, A-5 referencing mandatory well and septic tests; and Paragraph 3-6, A-12 referencing mandatory inspections for a flat roof is no longer applicable. Additionally, the guidance provided in Handbook 4905.1, REV-1, Chapter 2, Paragraph 2-5, B-1 referencing mandatory well water tests is no longer applicable. In cases where well tests are necessary, as described above, FHA's existing testing standards outlined in Chapter 3, Paragraph 3-6, A-5a. of Handbook 4150.2 remain in effect and supersede Mortgagee Letter 95-34. If the appraiser reports a potential property deficiency that may pose a threat to the safety of the occupants or the security and soundness of the property, the lender will require an inspection of the condition to determine whether repairs are necessary to mitigate or resolve the problem. Examples of conditions that will continue to require automatic inspections include, but are not limited to:

- Standing water against the foundation and/or excessively damp basements
- Hazardous materials on the site or within the improvements
- Faulty or defective mechanical systems (electrical, plumbing, or heating)
- Evidence of possible structural failure (e.g., settlement or bulging foundation wall)

.” The following is a quick list of many common reasons for a home's rejection by an FHA Appraiser.

CRAWL SPACE

- Must have access to all of the crawl space areas.
- Major water build-up in the crawl space is not allowed and must be remedied.
- Any areas of wood rot must be removed and repaired.
- Ventilation & vapor barrier are required.
- At least 18" clearance is required from the floor joist to the ground.
- If the crawl space has been dug out, the earth cannot be disturbed within 1 foot of the stem wall or pier supports. If the earth has been disturbed, then a retaining wall should be installed.
- If a sump pump is used, it **MUST** be hard wired. Extension cord hook-ups are an extreme safety hazard and cannot be used.

ATTIC SPACE

- Access must be provided (except where there is no attic space such as with some vaulted ceilings or in mobile homes).
- The attic access opening cannot be smaller than 14" x 22".
- Attic must be adequately ventilated, providing positive airflow with no dead airspace.

ROOFING MATERIAL

- The roof must have at least **3 years** of remaining life.
- Estimated life expectancies:
Rolled roofing:.....**NOT** acceptable for FHA.
Composition roofs:.....average life 15-20 years
Wood shingle:.....average life 16-22 years
Built-up roofs:.....average life 10-13 years
Torch down roofs:.....acceptable w/certification that roof was installed per manufacturer's specifications.
Metal roofs:.....acceptable w/certification that roof was installed per manufacturer's specifications.
- Roofing on slopes of 2 1/2:12 or less **MUST** be installed by a licensed roofer using built-up roofing that meets the Uniform Building Code. Rolled roofing is not acceptable.
- FHA will accept a **maximum of 3 layers of roofing material**. If more than two layers of roofing exist and re-roofing is required, all of the old roofing must be removed as part of the re-roofing. The placement of composition shingles over wood shake shingles is not acceptable.

ELECTRICAL

- A single main shut-off breaker is required.
- If more than one breaker must be tripped to disconnect the power, a new service panel is required.
- The main service must be at least 100 amp. If it is less, a new service is required.

NOTE: These electrical requirements eliminate most pre-1960 homes that have not had an electrical upgrade. If FHA is the only financing option, then a 203K program should be considered to finance the improvement.

HEATING

- The heating and cooling system must have at least **2 years** of remaining life.
- Wood stoves or solar heating are not acceptable as the sole heat source. **NOTE:** Coal or wood stoves with automatic stokers are acceptable.

NOTE: These heating requirements may eliminate most pre-1960 homes that have not had a heating system upgrade. If FHA is the only financing option, then a 203K program should be considered to finance the improvement.

HOT WATER HEATER

- **MUST** have an installed Safety Release Valve (SRV).
- The SRV must have a discharge line that drains to the outside of the home. It cannot be reduced in size from the valve outlet. In the case of a basement installation with a drain the discharge line must exhaust 6" to 24" from the floor.

NOTE: The Safety Release Valve upgrade is usually under \$20 for the valve plus installation.

LEAD-BASED PAINT

- All properties built prior to 1978 should be considered as target housing for lead-based paint hazards. Defective peeling/flaking paint on any interior or exterior surface must be identified and repaired following the EPA guidelines.

SEPTIC SYSTEMS

- Homes with septic systems are acceptable.
- Evidence of septic tank pumping within the last 5 years is required.

WINDOWS FOR SLEEPING ROOMS

- Escape or rescue windows shall have a minimum net clear open able area of 5.7 square feet. The minimum net clear open able height is 24" and width is 20". The maximum escape window sill height is 44".

NOTE: These window egress requirements may eliminate most pre-1960 homes that have not had a window upgrade. Small basement windows can be enlarged and upgraded. It has been my experience that most FHA Appraisers overlook this requirement unless the windows are inoperable or are set into an underground basement with 60" plus sill height.

