

K. Hovnanian American Mortgage, LLC One-Time Close Program Outline and Acknowledgement Agreement Conventional Interim Construction Payments Loan For Site-Built Homes

This Program Outline and Acknowledgement Agreement ("Agreement"), is effective as of the last date signed below and entered into between K. Hovnanian American Mortgage, LLC ("Lender"), its successors and/or assigns. WHEREAS, Builder wishes to participate in Lender's One-Time Close (OTC) program, the Builder, together with the Borrower(s) understand and agree, in addition to any other agreements or requirements that Lender may require, to comply with the following guidelines and terms:

1. In this program, the Borrower will be responsible for certain construction related interest and/or principal payments. Please refer to the Loan Estimate and other disclosures previously provided for complete details.
2. The following costs associated with the loan will be paid by the Builder during the construction phase:
 - A One-Time Close administration fee as shown in Schedule A ("OTC Administration Fee") and payable at closing;
 - OTC Administration Fee includes:
 - up to 5 construction draws and the required corresponding inspections
 - title updates (also known as date down endorsements)
 - construction underwriting
 - construction closing coordination
 - "Builder Financed Amount" is the final contract price of the home and any improvements (including Builder's contribution to land costs, closing costs, and prepaids)
 - Any of the following to be deducted from the construction escrow:
 - Any fee associated with an initial or final survey by K. Hovnanian American Mortgage, LLC and/or its Successors and/or Assigns or state law.
 - All final inspection costs.
 - Any unpaid Builder's fees or costs paid by K. Hovnanian American Mortgage, LLC and/or its Successors and/or Assigns or on behalf of the Builder.
3. The Builder provided a 300-day (10 month) construction timeframe, which the borrower(s) has/have agreed. Extensions to this estimate may be requested but building timeline may not exceed 10 months.
 - **Extensions (in the event construction is not fully satisfactorily completed by the originally agreed to timeline):**
 - K. Hovnanian American Mortgage LLC and/or its Successors and/or Assigns must approve all requests for extensions.
 - Requests for extensions should be made as soon as the Builder is aware that they will not complete the project in the original timeline, but in no cases, less than 2 weeks prior to the agreed-to completion date.
 - A \$75.00 Per Diem charge for loan amounts up to \$300,000 and additional \$25 Per Diem for each additional \$100,000 will be subtracted from the Builder's final draw for construction timeframes exceeding 180 days.
4. The Builder and Borrower(s) understand and agree the Builder is responsible for delivering a home completed in accordance with Freddie Mac and Fannie Mae guidelines. The Builder warrants all utilities (water, sewer, electrical, plumbing) are 100% functional at the time of delivery.
5. Certificate of Occupancy (COO) and/or equivalent:
 - Must be delivered and reviewed to be found acceptable by Lender.
 - Completed within 2 weeks of the expiration of the construction period or an extension fee shall apply as shown in Schedule A
6. Only Fixed Cost Building Contracts are permitted
7. Builder must provide detailed cost of construction breakdown (cost takeout) and full materials list
8. Prior to ordering a proposed construction appraisal, the following is required based on construction type:
 - Complete set of Plans and Specifications, to include floor plans, foundation, and elevations (front, rear, and side), signed by Borrower(s) and Builder
 - Initial Site Plan must show lot dimensions, setbacks, easements adjoining roads, location of house, driveway and location of garage. If applicable, location of septic system and well to include distances.

- Executed Builder Sales Contract
 - Executed 3rd Party Land Sales Contract (if applicable)
 - All reports and available information (i.e. Title report, environmental reports or studies and inspection reports)
9. Plans and specifications requirements:
- Plans and specifications must be created by a professional with the appropriate certifications, background, training and experience to produce these documents. Said professionals' qualifications must be acceptable to K. Hovnanian American Mortgage LLC.
 - The contractor/builder and the Borrower have discussed the Mechanical (HVAC, plumbing, and electrical) plans/design. The contractor/builder and Borrower agree and are satisfied with the outlined mechanical plan and the costs are incorporated into the final building proposal/costs. The mechanical plans for those systems will be made available post-closing to the lender along with a copy of the permits for those systems.
 - Site built floor plan, foundation plan and elevation drawings to include front, rear and sides of home. Mechanical plans (HVAC, Plumbing and electrical) can be provided post-closing along with copies of the permits. prior to funding by acknowledging this agreement.
10. Building Permits:
- Building permits are required prior to disbursement of any draws
 - Are required where applicable per county and state requirements
 - A copy of the building permit must be provided to Lender before work commences
11. New or Existing Construction projects which have begun prior to closing and funding are ineligible for this program
12. Lender requires first lien priority.
13. Mechanics and/or Materialmen's liens:
- If present, are not eligible for this program
 - The Builder shall pay all costs necessary to remove any such liens and shall reimburse and indemnify Lender.
14. Lender may request sub-contractor's lien waivers from Builder prior to disbursement of any funds.
15. Oregon Specific Requirements:
- Builder will submit a list of all sub-contractors utilized on the construction project. Lien waivers will be required from each sub-contractor, as services are provided. Such costs to be paid by the Builder.
 - An Early Issue Title Policy will be required. The cost associated with this policy is the responsibility of the Borrower. This fee will be collected at closing/funding and held in escrow until the completion of the construction project.
16. Construction Matters
- Lender will only discuss construction matters with the Builder who has executed this acknowledgment and is the general contractor for the construction project.
 - Lender will NOT discuss construction matters with any subcontractor.
 - Lender does not hire or recommend sub-contractors for any construction projects nor does it endorse the Builder, general contractor, sub-contractor or any other party involved in the construction project.
 - The Builder is expected manage and resolve all sub-contractor matters.
 - The Borrower(s) is/are solely responsible for resolving all construction issues with the Builder.
 - "Lender's communication with the Builder is limited to draw disbursements and inspections and is not directly related to the progress of the construction, or the quality, or workmanship of the project.
17. All funds disbursed during construction by Lender shall be disbursed to the Builder in accordance with the agreed upon draw schedule.
- Builder is responsible for payment to any sub-contractors involved with the construction project.
 - Lender does not disburse funds directly to any sub-contractor.
 - Borrower(s) may not receive funds from Lender or the Builder in return for work performed by Borrower(s).
 - Borrower(s)' may not participate as a sub-contractor.
18. Water Well (existing or to be constructed):
- Any existing Water Well or well to be constructed must meet Freddie Mac and Fannie Mae new construction guidelines.
 - Public water is required to be available at lot boundary.
 - If public water is not available a developed well is required on the site prior to a final inspection/certification of

occupancy as applicable.

- Water Well Installation estimate from Well installer is required prior to closing, *unless permits are available at closing.*
- Only drilled Wells are acceptable
- Newly drilled Water Wells require either a county well certification or a private company report dated within six (6) months of closing – documenting acceptable well flow and water purity.
- If a Water Wells exists a water potability test is required (Bacteria / E-coli, Total Coliforms, Lead, Nitrate, and Nitrite)
- Verification will be made on all Water Wells (existing or new) of the required distances from property lines and built structures
- Existing Water Wells must comply with Freddie Mac and Fannie Mae new Construction Water Well guidelines for potability and flow test requirements and meet county/state requirements.
- A Well located within the foundation walls of New Construction is not acceptable except in artic or sub-arctic regions.

The following provides the minimum standards for Individual Water Supply Systems (wells):	
Individual Water System Minimum Property Standards for New Construction	
1	Lead-free piping
2	If no local chemical and bacteriological water
3	Connection of public water whenever feasible
4	Wells must deliver water flow of five (5) gallons per minute over at least a four (4) hour period

19. Sewer/ Septic Systems:

- Public sewer is required to be available at lot boundary
- If public sewer is not available, and an approved septic system has not yet been installed, a Septic Installation Estimate, from the septic installer, is required prior to documents.
- Septic System Installation Estimate from Septic Installer is required unless permit is present at time of closing.

20. An Elevation Certificate is required if the property is in a FEMA identified flood zone. Such certification will be required by Lender prior to disbursement of the foundation draw. A final certification will be required prior to final disbursement

21. Flood Insurance Requirement

- If property is in a FEMA identified flood zone, flood insurance is required.
- if any part of the security structure on the subject property is constructed in the Special Flood Hazard Area:
 - Proof of flood insurance is required prior to closing.
 - Failure to provide flood insurance will create a delay in the closing process until provided.

22. Required Inspection Documents:

- Site-built inspection requirements:

Builder to provide OPTION A&B OR OPTION A&C

- a) Copies of building permit and certificate of occupancy (or equivalent)
- b) Three inspections, (footing, framing and final) performed by an ICC, RCI or CI, final inspection to be completed by appraiser on form 442/1004D OR
- c) Three inspections, (footing, framing and final) performed by local authority with jurisdiction over the property, Initial, framing “site built only” and final compliance inspection to be completed by appraiser on form 442/1004D

- The cost of the final inspection and any required reinspection(s) is the Builder’s responsibility

23. Final Inspection: Form 442/1004D

- Lender will order the final inspection when notified by the Builder.
- The cost of the final inspection and any required reinspection(s) is/are the Builder’s responsibility

24. Change Orders:

- Not permitted after loan closing.

25. Loan Closings

- Will not be scheduled sooner than 2 business days after the Lender’s Underwriter has approved the loan and

issued the "Clear-to-Close"

- Evidence of an active builder risk/course of construction policy along with general liability policy are required prior to clearing the loan or closing. Policy will need to cover the builder final contract amount for home and improvements. Lender corporate should be listed as loss payee and the policy should be active at time of construction underwrite and valid until builder receives final disbursement.

26. Draw Disbursements are based on the percent of completed work at the time of the request. (see *Construction Draw Schedule Disclosure*):

- The Builder is limited to one (1) draw every 30 days.
- Draw inspections are requested by the Construction Department upon notification of completion of a phase of work from the Builder.
- "Date Down" Endorsements will be required at each draw funding. This will be ordered by Lender's Construction Department.
- A draw inspection must be completed by a city inspector, fee inspector, original appraiser or an engineer acceptable to Lender.
- Draw inspections will certify that each item has been satisfactorily completed according to the funding requirements.
- Draw request forms are provided to the Builder by Lender's Construction Department.
- Lender Draw Request Form must be completed and submitted to Lender's Construction Department for approval prior to any draw funds disbursement (draw payment).

NOTE: Lender will obtain written approval from the Borrower before each draw payment is provided to the Builder

27. Final Stage Funding Draw will be payable upon Lender's receipt and approval of (as applicable):

- all required new construction forms,
- permits,
- Official 911 address, generally provided on letter head from the 911 coordinator, county or local government,
- building permits
- certificate of occupancy
- Health Authority Approval Permit if a Well was constructed,
- Health Authority Approval to Construct Permit for a septic system if one was constructed,
- Initial compliance inspection/ pre-pour/ footer inspection
- Final Compliance Inspection: Photos of all exterior sides and interior rooms showing utilities functioning. Inspector to comment if there are any previous homes on site on ALL final inspections.
- Final compliance inspection is required to be completed by the appraiser on form Freddie Mac 442/ Fannie Mae 1004D
- Provide a satisfactory septic inspection by a licensed septic installer or septic company. This should be on letter head signed and dated with installer license number. If you are making repairs to the existing, we will need county/local approval permits.
- Septic systems to be installed in accordance with county guidelines. Need evidence on county or local letter head indicating it meets requirements.
- Local Health Authority well water analysis - Bacterial and chemical test to be completed in accordance with HUD Guidelines. Must be tested from same water sample, brought to facility by a 3rd party and include satisfactory results for the following Lead, Nitrate, Nitrite, E. coli and Coliform.
- Termite Treatment. Provide acceptable evidence the subject property has been treated for prevention of termites.
- Builder to provide Placement survey on all projects
- Final home-owner's insurance binder. Builder to provide insurance binder once construction is complete and loan is ready to fund.

Additionally:

- Oregon requires all necessary lien waivers and affidavits of completion as well as the Early Issue Title Policy.
- This list is intended to be comprehensive but may be subject to change based on lender and investor requirements.

28. Conversion to Permanent Financing:

- K. Hovnanian American Mortgage LLC and/or its Successors and/or assigns reserves the right to reverify the information used to qualify for the loan, the Borrower(s) agree to fully cooperate with the lender for any requests.

29. Survey Requirements

- In States that require surveys, Lender requires an initial and final placement survey
- In the event the title company requires a final placement survey, Lender will require a placement survey
- In the event the title company does not require a placement survey and does not have an exception within schedule B, Lender will accept a signed placement survey affidavit
- For Fannie Mae transactions, if the title has a survey exception it must be deleted from the final title policy. If the title company requires a survey to delete the exception a final placement survey is required.
- Final placement survey required at completion prior to loan modification (see above bullets)

Flexibility

- Builder may take 1 draw every thirty (30) calendar days
- The Builder may complete the build tasks listed on their Construction Draw Schedule Disclosure in any order
- Build Tasks from the Draw Schedule are paid on a line item(s) percentage complete basis
- Material only tasks will not be paid until the corresponding labor is complete
- Contractual allowances are not permitted

Construction Draw Schedule Details:

Prior to commencement of construction, the Borrower and Builder acknowledge and agrees to the terms and conditions and associated charges of the Construction-to-Permanent (C-to-P) Loan guidelines contained herein.

Builder understands that any variance in compliance with the requirements of this agreement and any of the construction loan agreement can delay Lender's ability to disburse funds. Unless applicable state law prohibits otherwise, compliance with the loan documents is required. Failure to comply may result in additional charges to the Builder to bring the construction into compliance with this agreement and the Construction Loan Agreement.

Borrower explicitly agrees and understands that Lender or its agent's may, in its sole and exclusive, in connection with this transaction may share my non-public personal information with the Builder their successors, assigns or agents.

Builder Performance Agreement

I/We, the undersigned, hereby agree that in the event of default by applicant(s) under loan documents executed to finance construction of improvements we shall, at Lenders option and direction, continue performance under our agreement with such applicant(s), provided that we are compensated for all work after said direction by you, your successors and/or assigns or purchaser in accordance with the agreement with the applicant(s).

Signatures:

Each individual signing this Agreement directly and expressly warrants that he/she has been given and has received and accepted authority to sign and execute the documents on behalf of the Party for whom it is indicated he/she has signed, and further has been expressly given and received and accepted authority to enter into a binding agreement on behalf of such Party with respect to the matters concerned herein and as stated herein. If any party (Builder or Borrower) is a corporation, partnership (general or limited), limited liability company or trust, each person signing this Agreement represents that such person is authorized to execute this Agreement without the necessity of obtaining any other signature of any officer, partner, manager, member, trustee or beneficiary, that the execution of this Agreement has been properly authorized by the Board of Directors of the corporation, by the partners of the partnership, the members and/or managers of the limited liability company or the trustee or the trust, as the case may be, and that agreement Lease is fully binding on the Builder and all Borrowers.

Subject Property Address		
Builder/Retailer Company Name		
Builder/Retailer Authorized Signature		
Builder/Retailer Name Printed	Title	Date Signed
Borrower Signature	Name Printed	Date Signed
Co-Borrower Signature	Name Printed	Date Signed
Co-Borrower Signature	Name Printed	Date Signed
Co-Borrower Signature	Name Printed	Date Signed

**SCHEDULE A
One-Time Close Administration Fee**

OTC Administration Fee
\$750.00