



# FHA Limited 203(k) Welcome Package

In these pages you will find information to assist you with submitting a draw request on your FHA Limited 203(k) Rehabilitation Loan. We are also including the documents/forms you may need during the process.

**Completing the steps as outlined is your responsibility**, with assistance from Plaza and your contractor. Plaza will be responsible for issuing the final draw funds.

## Things to Know and Understand About the Draw Process

- Plaza must receive the Draw Request Package no later than six (6) months after closing the loan. Work must start within 30 days of closing and must not cease for more than 30 consecutive days.
- Plaza must approve additional work, prior to installation in order for your contractor to be paid from contingency funds.
- Once you and your contractor have determined all the work has been completed, the Draw Request Package should be submitted to Plaza.
- Draw Request Packages are processed within 5 days of receipt. Processing includes the ordering and review of an inspection and title search. Therefore, you should allow up to 15 business days for receipt of payment.
- Payment will be issued to you and your contractor and mailed to the property address, unless a mailing address is on file.
- Forms included in this package:
  - Mortgagor's Notice of Work Completion
  - Draw Request HUD form 9746-A
  - Request for Acceptance of Changes in Approved Drawings and Specifications (HUD form 92577), also known as a Change Order Request
  - Conditional Waiver and Release Upon Final Payment

## Important Steps

You are responsible for steps 1\* (if applicable) and 2. Plaza is responsible for completing steps 3 and 4.

**\*Your contractor should work with you to submit Change Order Request, if applicable.**

Steps 1 - 2 <i>Borrower to complete</i>		Steps 3 - 4 <i>Plaza to complete</i>	
Step 1	Step 2	Step 3	Step 4
Submit a Change Order Request (if applicable)	Submit Draw Request Package	Release of Repair Escrow Account Funds	Payment of Interest on Repair Escrow Account Funds

## Step 1 - Submit a Change Order Request (if applicable)

### Changes to Project

Prior approval by Plaza is required for any cost overruns or changes involving the contractor, type of work, quality or amount of materials and additional completion time. In the event of such a change, you must

complete a Change Order Request (HUD Form 92577). This form must be signed and dated by you and the contractor and then sent to Plaza for approval.

### **Change of Contractor**

Notify Plaza, prior to changing contractors. If you change contractors, a property inspection may be required. This inspection will determine if work performed is properly completed as well as document how much work the original contractor completed and the payment amount owed. In addition to a Change Order Request, you must submit a new Homeowner/Contractor Agreement form, contractor W-9, license and bid before approval can be given for any future draw request from a new contractor. Plaza will only pay the contractor who has signed a Homeowner/Contractor Agreement.

### **Step 2 - Submit Draw Request Package**

Once the rehabilitation construction and/or improvements, as outlined in the Rehabilitation Loan Agreement, are 100% complete, in a workmanlike manner and to your satisfaction and your contractor requires payment for finished work, submit a complete Draw Request Package.

The Draw Request Package must include the following items:

1. Mortgagor's Notice of Work Completion
2. Draw Request (HUD Form 9746-A)
3. Appropriate Waiver and Release form
4. Proof of payment by borrower (if applicable), please contact our office for the required waiver and release form
5. Change Request Form (if applicable)

### **Step 3 - Release of Repair Escrow Account Funds**

Before issuing a check for the balance of your Repair Escrow Account, Plaza must conduct a final inspection and title search. Plaza will order a final inspection however the inspector will contact you to schedule an appointment. If the inspector is not available to schedule the appointment within a reasonable timeframe, contact Plaza's Loan Servicing Department and we will assign another inspector.

If a title search indicates a lien has been placed on your property, Plaza will notify you so you can begin the process of having the lien removed. Upon receipt of satisfactory inspection results and clear title, we will issue a check payable to you and your contractor and mail it to the property address, unless a mailing address is on file.

### **Step - 4 Payment of Interest from the Repair Escrow Account**

Once Plaza has released the final balance of funds, any amount remaining in the Repair Escrow Account will be applied to the principal balance of the loan. This includes any unused contingency funds, inspection fees or mortgage payments, along with the earned interest on the Repair Escrow Account funds.

## Important Reminders

- Work must start within 30 days of the loan closing. Draw requests are to be submitted timely to keep the project on track. Work must not cease for more than 30 consecutive days.
- Rehabilitation project must be complete within six (6) months from the date the loan closed.
- Plaza will only pay the contractor who has signed the Homeowner/Contractor Agreement. You should contact Plaza for instruction, if a change in contractor is required.
- Do not use or plan to use your contingency reserve fund without prior approval from Plaza.
- Do not perform any of the work yourself. All work must be performed by the general contractor and/or sub-contractors previously authorized to perform said work.
- All repairs and rehabilitation work performed on your home must be approved by Plaza. Do not perform work on your home outside of the planned scope of work approved by Plaza. If your scope of work changes, please see step 1.

## Loan Servicing Department Contact Information

- Contact Plaza's Loan Servicing Department at 1-888-807-2620, option 3 or by email at [renoservicing@plazahomemortgage.com](mailto:renoservicing@plazahomemortgage.com) if you have any questions or need assistance.
- Fax us at 858-332-1861
- By mail at:
  - Plaza Home Mortgage, Inc.  
Loan Servicing Department  
9808 Scranton Road, Suite 3000  
San Diego, CA 92121

## Frequently Asked Questions

### 1. Where can I locate the required forms?

Copies of this package along with the required forms can be printed from our website at:  
<https://www.plazahomemortgage.com/customerservice/#renovate>

### 2. What if I need to change contractors?

It is very important that you notify Plaza before changing contractors. The original contractor must be notified in writing (proof of delivery required) and must be given ten (10) days to respond. A property inspection may need to be ordered to document the amount of work completed by the original contractor and the payment amount owed. The new contractor must be approved by Plaza and a Homeowner/Contractor Agreement form, new contractor bid, license, insurance, and IRS W-9 form must be completed before approval will be granted on final draw requests.

### 3. What if there is additional work to be completed and I need to use contingency funds to pay for it?

Plaza must approve all extra work prior to installation in order for your contractor to be paid from contingency funds. You and your contractor must provide a detailed description of the work with the material and labor costs noted and submit a Change Order Request form. All additional work must meet loan eligibility guidelines and must be inspected.

### 4. When can I expect to receive funds?

Draw Request Packages are processed within 5 days of receipt. Processing includes the ordering and review of a work inspection and title search. Therefore, you should allow at least 15 business days for receipt of payment. Payment will be issued to you and your contractor and mailed to the property address, unless a mailing address is on file.



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Suite 3000  
San Diego, CA 92121  
p: 858.346.1208  
plazahomemortgage.com

### **Mortgagor's Notice of Work Completion**

Mortgagor(s) Name: \_\_\_\_\_

Property Address: \_\_\_\_\_

Property City, State, Zip: \_\_\_\_\_

The rehabilitation construction and/or improvements, as outlined in the Rehabilitation Loan Agreement for the above referenced property, are now 100% complete, in a workmanlike manner to my satisfaction.

I request that the release of funds from the Rehabilitation Repair Escrow Account be made, once a satisfactory final inspection of the property is made by a qualified inspector, along with verification that there are no outstanding mechanics liens on the above mentioned property.

I understand that Draw Request Packages are processed within 5 days of receipt. Processing may include the ordering and review of inspections and/or title searches. Therefore, I should allow 15 business days for receipt of payment. I understand payment will be issued to my contractor and I and mailed to the property address unless a mailing address is on file.

This request also directs you to apply any remaining funds in the Rehabilitation Repair Escrow Account that represent the balance of contingency reserve, inspection fees and other miscellaneous fees that were not used, to the principal balance of my loan.

Mortgagor: \_\_\_\_\_

Mortgagor: \_\_\_\_\_

Date: \_\_\_\_\_

# Draw Request Section 203(k)

U.S. Department of Housing  
and Urban Development  
Office of Housing

OMB Approval No. 2502-0527 (exp. 07/31/2017)

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

This information collection involves an expanded information requirement for lenders that originate and service Section 203(k) mortgages. The purpose of the information is to help mitigate program abuses. The expanded information focuses on the loan origination process and requires increased documentation and strengthened internal control procedures. Periodic reporting of the information is not required. The information also includes information that was voluntarily accepted by the 203(k) lending community. The information provides a more comprehensive basis for evaluating lender underwriting practices and thereby improves risk management of the 203(k) loan portfolio. Responses are required to obtain benefits under Section 203(k) of the National Housing Act (12 U.S.C. 1703). No assurance of confidentiality is provided.

<b>Borrower's Name &amp; Property Address</b>	Lender's Name & Address	FHA Case Number	
		This Draw Number	Date

I certify that I have carefully inspected this property for compliance with the general acceptability requirements (including health and safety) in Handbook 4905.1. I have reviewed the attached architectural exhibits and the estimated rehabilitation costs listed in column 1, below; they are acceptable for the rehabilitation of this property. I have no personal interest, present or prospective, in the property, applicant, or proceeds of the mortgage. To the best of my knowledge, I have reported all items requiring correction and that the rehabilitation proposal now meets all HUD requirements for 203(k) Rehabilitation Mortgage Insurance.

<b>HUD-Accepted Consultant / Plan Reviewer's Signature &amp; Date</b>	Suggested Contingency Reserve Amount
X	%

	Construction Item	Total Escrow Col. 1	Total Cost of Rehabilitation				Inspector/Lender Adjusted Amounts		
			Previous Draw Totals Col. 2	%	Request for This Draw Col. 3	%	Col. 4	%	
1.	Masonry								1.
2.	Siding								2.
3.	Gutters/Downspouts								3.
4.	Roof								4.
5.	Shutters								5.
6.	Exteriors								6.
7.	Walks								7.
8.	Driveways								8.
9.	Painting (Ext.)								9.
10.	Caulking								10.
11.	Fencing								11.
12.	Grading								12.
13.	Windows								13.
14.	Weatherstrip								14.
15.	Doors (Ext.)								15.
16.	Doors (Int.)								16.
17.	Partition Wall								17.
18.	Plaster/Drywall								18.
19.	Decorating								19.
20.	Wood Trim								20.
21.	Stairs								21.
22.	Closets								22.
23.	Wood Floors								23.
24.	Finished Floors								24.
25.	Ceramic Tile								25.
26.	Bath Accesories								26.
27.	Plumbing								27.
28.	Electrical								28.
29.	Heating								29.
30.	Insulation								30.
31.	Cabinetry								31.
32.	Appliances								32.
33.	Basements								33.
34.	Cleanup								34.
35.	Miscellaneous								35.
<b>36.</b>	<b>Totals</b>								<b>36.</b>

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

**Warning:** HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

This draw request is submitted for payment. All completed work has been done in a workmanlike manner. I hereby certify to the actual costs of rehabilitation as shown above in column 3. I understand that I cannot obtain additional monies from the rehabilitation escrow account without the approval of the lender. I also understand that a 10% holdback will not be released until all work is complete and it is determined that no mechanic's and materialmen's liens have been placed on the property. After the final inspection, the monies in the escrow account will be distributed as required by the 203(k) program procedures.

**Borrower's Signature**  **Owner-Occupant**  Investor/Builder  **Date**

This draw request is submitted for payment. All completed work has been done in a workmanlike manner. I understand that a 10% holdback will not be released until all work is completed and it is determined that no mechanic's and materialmen's liens have been placed on the property.

**General Contractor's Signature** (if any)  **Date**

I certify that I have carefully inspected this property on this date. The draw amounts are acceptable except as modified in column 4. I further certify that I have not accepted any work that is not yet completed in a workmanlike manner and I recommend that the rehabilitation escrow funds be released for the completed work.

**Inspector's Signature**  I.D. Number Date

Approved for Release	This Draw	Totals to Date	The Lender is hereby authorized to release the following funds from the escrow account	
Total from Above	\$	\$	Payable to the Borrower \$	Payable to the Fee Inspector \$
Less 10% Holdback	\$	\$	Payable to <span style="float: right;">\$</span>	
Net Amount Due Borrower	\$	\$	Signature & Date <input type="checkbox"/> Lender-Authorized Agent <input checked="" type="checkbox"/> DE Underwriter <span style="float: right;">X</span>	

Lender Holding Rehabilitation Escrow Account (name, address, & phone number)

Originating Lender still Retains Funds

Rehab Funds Transferred to:

## Rehabilitation Inspection Report

FHA Case Number

### I. Inspection of On-Site Repairs and/or Improvements Reveals

- |  |  |
|--|--|
| 1. <input type="checkbox"/> Unable to make inspection. (explain below) | 3. <input type="checkbox"/> No noncompliance observed.                 |
| 2. <input type="checkbox"/> Correction essential as explained below:   | 4. <input type="checkbox"/> Acceptable variations as described below.  |
| a. <input type="checkbox"/> Will examine at next inspection.           | 5. <input type="checkbox"/> On-site improvements acceptably completed. |
| b. <input type="checkbox"/> Do not conceal until reinspected.          |  |

### II. Explanation of statements checked above

Draw Inspection  
  Contingency Reserve Inspection  
  Final Inspection  
  Change Order  
  Other (explain)

Inspection Number

No.	No.

**Certification:** I certify that I have carefully inspected this property on this date. I have no personal interest, present or prospective, in the property, applicant, or proceeds of the mortgage. To the best of my knowledge I have reported all noncompliance, work requiring correction, and unacceptable work. I also certify that this Draw Request is for completed work and I have not accepted any work that is not properly installed in a workmanlike manner.

Signature & Date  Consultant / Inspector Inspection Fee ID Number  
 Fee Inspector  
 DE Staff Inspector

X

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**Instructions: Prior To Appraisal**

1. The Consultant or Plan Reviewer meets with the borrower (and contractor, if there is one) at the site to determine if cost estimates are acceptable. The cost of labor and materials (including overhead and profit, where necessary) must be shown. Borrowers doing their own work must include labor and material, in case they are unable to complete the work due to some unforeseen circumstance, and they must later subcontract out the work. Upon completion of the review, and if the cost estimates are acceptable, the Consultant or Plan Reviewer must sign the certification and return all exhibits to the lender.

2. Lender sends exhibits and a copy of the Draw Request form to the appraiser. The appraisal cannot be performed unless the Consultant or Plan Reviewer has signed the certification on the Draw Request form. Appraisers are instructed not to add additional work items to the list of construction items without the Consultant or Plan Reviewer assuring that the cost estimate for additional items are acceptable and included on the Draw Request form.

**Instructions: During Construction:**

1. If any construction work items were completed prior to closing the loan, an inspection of the work can occur one day after closing.

2. Borrower/contractor completes column 2 "Previous Draw Totals" with percent of completion on any of the construction items. On the first draw inspection, this column will be left blank. On subsequent draws, show the accepted amounts shown in columns 3 and 4 (from the previous draw).

3. Borrower/contractor completes column 3 "Request for This Draw" with the **actual cost of rehabilitation**, which includes materials, labor, overhead and profit. Materials cannot be paid for until they have been acceptably installed. For the investor/builder using the Escrow Commitment Procedure, the cost savings will be added to the escrow amount that is held by the lender for release when an acceptable owner-occupant assumes the loan.

The inspector will complete column 4 for each line item that is necessary to be adjusted. If no adjustments are required, column 4 will remain blank. In no case can the inspector approve a release of funds in excess of the amount requested by the borrower in column 3.

The DE Underwriter or the lender's authorized agent may reduce the amount of funds accepted (or revised) by the inspector by completing (or correcting) the amount shown in column 4. Where a correction has been made by the inspector or the lender, the revised total amount will be shown in line 36, column 4. When the DE Underwriter or the lender's authorized agent is satisfied with the Draw Request, the bottom of the form approving the release of funds will be completed.

**After the final draw inspection**, cost savings can be adjusted to pay for cost overruns in other construction items or additional improvements to the property that are approved by the Direct Endorsement (DE) Lender. An additional administration cost can be allowed under certain circumstances. Any remaining cost savings must be applied to the mortgage principal and will create greater equity in the property.

**Example 1:** If column 1 for Drywall is estimated for completion at \$1,500, and the work is 50% complete, but a signed contract is for \$1,200, then the Request for This Draw in column 3 cannot exceed \$600.

**Example 2:** If column 1 for Drywall is estimated for completion at \$1,500, and the work is 50% complete, but a signed contract is for \$1,800, then the Request for This Draw in column 3 cannot exceed \$750. At the end of rehabilitation, cost overruns can be adjusted for, provided there were savings in other construction items that were approved prior to closing.

4. The borrower and contractor must sign the certification on the Draw Request form. If a dispute exists, the lender must try to mediate the dispute to assure there are no mechanics or materialmens liens placed on the property. The lender may make checks out in both the borrower and contractors name to ensure proper distribution of escrowed funds and to assure no mechanics or materialmens liens. The borrower or contractor may initiate legal proceedings if an equitable agreement cannot be reached.

5. Under no circumstances can any construction item be paid for without the work being acceptably installed (e.g., materials on site cannot be included in the draw request). Upon completion, the inspector signs the Draw Request form, and the Rehabilitation Inspection Report and returns this form to the DE Lender, if applicable. The cost of the inspection should also be completed.

6. The DE who controls the Rehabilitation Escrow Account must provide an accounting of the escrow account to the borrower and HUD, showing the status of all monies in the escrow account. After the acceptable receipt of all necessary documentation, the escrow release (less 10% holdback) should occur within 48 hours. The accounting system must comply with Handbook 4240.4.

# Request for Acceptance of Changes in Approved Drawings and Specifications

U.S. Department of Housing and Urban Development  
Office of Housing  
Federal Housing Commissioner

OMB Approval No. 2502-0117 (exp. 04/30/2019)

**See Instructions and Conditions on Page 2.**

**Public reporting burden** for this collection of information is estimated to average 30 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This information is required to obtain benefits and mandatory. HUD may not collect this information, and you are not required to complete this form unless it displays a currently valid OMB control number.

Section 203(b)(7) of the National Housing Act authorizes the Secretary of the Department of Housing and Urban Development to use his/her discretion with respect to the handling of insurance, repairs, and alternations. Builders who request changes to HUD's accepted drawings and specifications for proposed constructions properties as required by homebuyers, or determined by the builder use the information collection. The lender reviews the changes and amends the approved exhibits. These changes may affect the value shown on the HUD commitment. While no assurances of confidentiality are pledged to respondents, HUD generally discloses this data only in response to a Freedom of Information request.

Property Address	Case(s) No.	Request No.
Mortgagee's Name & Address	We request acceptance of the following changes in the approved drawings and specifications of the above numbered case or cases. <b>We Request</b> <input type="checkbox"/> <b>We Do Not Request</b> <input type="checkbox"/> an increase in the value and loan amounts if these changes warrant such an increase.	
Description:	Builder's Estimate of cost on each change	HUD/VA Estimate of effect on cost of each change
Borrower (If known)	Date	
Builder or Sponsor	Date	
For Mortgagee	Date	

Determination as to Acceptability  
 Changes Acceptable     
  Changes Unacceptable     
  Changes Acceptable, provided (list any conditions)

**Endorsement to Notice of Value** (for VA use only)

This endorsement takes precedence over and specifically amends the outstanding NOV for the property with the above identifying number. Any condition stated on the outstanding NOV, not specifically referred to and modified herein, remains in full force and effect until expiration of the validity period. Established reasonable value revised to \$

<input type="checkbox"/> Department of Veterans Affairs	Authorized Agent	I.D. Number	Date
<input type="checkbox"/> Federal Housing Commissioner	DE <input type="checkbox"/>		



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### Instructions

The mortgagor in this request is defined as the owner or possible future owner of the property, whose interest in the property is evidenced by any written contract of sale, deed, receipt of down payment, letter or other instrument dated prior to the signing of this request by the builder or sponsor.

If acceptance by the VA is requested, the original and at least two copies of this form shall be submitted by the mortgagee. If acceptance by HUD is requested, the original and at least one copy of this form shall be submitted by the mortgagee. Upon determination as to acceptability of the request, the original will be returned to the mortgagee for transmittal to the builder or sponsor. If the request covers more than one case and mortgagors are unknown, submit one additional copy for each additional case.

Designate each requested change by a letter (using a, b, c, etc.). If additional space is necessary to properly describe the changes, use this side of the form or an attachment. Also, attach revised drawings and/or supporting descriptive data when necessary. State the amount by which the construction cost will be increased or decreased as the net result of each proposed change.

This request shall be signed by (1) the borrower, if any, (2) the builder or sponsor, and (3) the mortgagee. If the borrower, as defined above, is unknown, the builder or sponsor shall insert "Unknown" in the space for the mortgagor's signature and initial this insertion.

Builder accepts all risk for constructing change(s) prior to receiving HUD or VA acceptance.

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### Conditions of Acceptance

Acceptance of changes implies in no way that the mortgage insurance or Notice of Value of the above case or cases will be increased when the net effect of all accepted changes is an increase in the total construction cost. Acceptance of changes is subject to the condition that inspection will show that all construction involved equals or exceeds the applicable HUD or VA Minimum Property Standards and all Local Codes and ordinances.

In accepting any changes it is assumed that they will be executed. If an accepted change is not executed, it must be nullified by submitting another copy of this form amending the construction exhibits so as to restore the drawings and specifications to the status existing prior to acceptance of the change or to a modification of such prior existing status as may be specified.



# Conditional Waiver and Release Upon Final Payment

This form is to be used by contractor when a request for final payment is being made.

Borrower(s): \_\_\_\_\_

Property Address: \_\_\_\_\_

Property City, State, Zip code: \_\_\_\_\_

Total Bid/Invoice: \$ \_\_\_\_\_

Total Received: \$ \_\_\_\_\_

Total Due: \$ \_\_\_\_\_

Upon receipt by the undersigned of a check from Plaza Home Mortgage, Inc., in the amount of \$\_\_\_\_\_, and when the check has been properly endorsed and has been paid by the bank upon which it is drawn, this document shall become effective to release any mechanic's lien, stop notice, or bond right the undersigned has on the above referenced property owned by the above referenced borrower(s).

This release covers the final payment to the undersigned for all labor, services, equipment, or material furnished on the job.

Date: \_\_\_\_\_

Company: \_\_\_\_\_

Signed: \_\_\_\_\_

Title: \_\_\_\_\_