

U.S. Department of Housing and Urban Development (HUD)

HOME EQUITY CONVERSION MORTGAGE (HECM)

EXHIBIT 3 – FIXED RATE REPAIR RIDER

THIS REPAIR RIDER is made this ___ day of _____, 20___, and is incorporated into and shall be deemed to supplement the Loan Agreement of the same date made by the undersigned Lender (“Lender”) and the undersigned Borrower (“Borrower”). The term Borrower does not include the Borrower’s successors or assigns.

I. Lender’s Promises

- A. The Lender shall set aside _____ Dollars (\$_____) from the Borrower’s Advance under the Loan Agreement to be used for the purpose of bringing the Property up to the property standards required by the Secretary by repairing (List each item separately and estimated cost to repair):

[Use an additional page if needed]

- B. The Lender may charge a repair administration fee not to exceed the greater of fifty dollars (\$50) or one and one-half percent (1.5%) of the amounts advanced by Lender under this Repair Rider. This fee shall be added to the Principal Balance as each Loan Advance is made.
- C. The Lender shall require one or more inspections by an inspector or other qualified individual acceptable to the Secretary during the course of the repair work. The Lender shall not release any funds for work which is not complete and which is not approved by an inspector or other qualified individual acceptable to the Secretary. The Lender certifies by executing this Repair Rider that the repairs which are funded under this Repair Rider will be completed in a manner to meet property standards required by the Secretary as determined by an inspector or other qualified individual acceptable to the Secretary.
- D. The Lender shall ensure that all mechanic’s liens and materialmen’s liens are released of record prior to an advance of funds under this Repair Rider. The Lender may require the Borrower to obtain acknowledgment of payment and releases of lien from all contractors, subcontractors, and materialmen. Such acknowledgements and releases shall be in the form required by local law and shall cover all work done, labor performed, and materials (including equipment and fixtures) furnished for the project. During a Deferral Period, if

any, the Lender may require the Borrower's estate to obtain the requisite acknowledgments, which otherwise would have been required of the Borrower.

- E. Until an inspector or other qualified individual acceptable to the Secretary finds that all repairs required by Section I.A of this Repair Rider have been completed in a satisfactory manner, the Lender shall not release funds in excess of (i) the total value of work satisfactorily completed and (ii) the value of materials or equipment delivered to, and suitably stored at, the site but not yet incorporated in the work, less (iii) ten percent (10%) holdback, less (iv) prior advances under this Repair Rider.
- F. Lender shall release the funds to pay Repair costs to Borrower and the contractor(s) jointly in accordance with Federal Housing Administration requirements when permitted by Section I.E of this Repair Rider and shall add the cost of the repairs to the Principal Balance under the Loan Agreement. During a Deferral Period, if any, the Lender may only release funds permitted by Section I.E of this Repair Rider to the contractor(s). A Lender may directly reimburse a Borrower under this Repair Rider, but only for the actual cost of materials and only in the amount supported by documentation, invoices, or sales receipts, for materials ordered and paid for by the Borrower.
- G. Lender shall not disburse to the Borrower any excess or unused funds under this Repair Rider.

II. Borrower's Promises

- A. The Borrower will complete all repairs required by Section I.A of this Repair Rider so that the Property meets the property standards required by the Secretary as determined by an inspector or other qualified individual acceptable to the Secretary.
- B. Borrower shall cause work to begin on _____, 20___. Borrower shall have work completed by _____, 20___. Work is to be performed with reasonable diligence. Should Borrower fail to comply with these terms, until all repair work is satisfactorily completed Lender shall not make any further payments under the Loan Agreement except for payment of repairs required by Section I.A of this Repair Rider and Loan Advances required under Section 4.6 of the Loan Agreement.
- C. Borrower will cause all improvements to be made in a workmanlike manner and in accordance with all applicable statutes, regulations, or other requirements. All licenses, permits, and privileges required by local governmental authorities to rehabilitate the property will be obtained by the Borrower(s) or their contractor.
- D. Borrower will furnish such records, contracts, bills, and other documents relating to the Property and improvements as the Lender may require.
- E. Without prior written consent of Lender, no materials, equipment, fixtures, or any part of improvements financed with this loan shall be purchased or installed subject to conditional sales contracts, security agreements, lease agreements, or other arrangements whereby title is retained or the right is reserved or accrues to anyone to remove or repossess any item, or to consider it as personal property.

F. Notwithstanding anything to the contrary herein, the Borrower’s successors and assigns will be bound to perform Borrower’s obligations under this Repair Rider.

G. Third-Party Beneficiary. Except as set forth in Article 4 and Section 3.3. of the Loan Agreement for the Secretary and except for Section 3.2 of the Loan Agreement only for an Eligible Non-Borrowing Spouse, this Repair Rider does not and is not intended to confer any rights or remedies upon any person other than the undersigned parties. Borrower agrees that they are not a third-party beneficiary to the Contract of Insurance between Secretary and Lender.

Borrower Signature (SEAL): _____

Date: _____

Borrower Signature (SEAL): _____

Date: _____

Lender Signature (SEAL): _____

Date: _____