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## ***Contractor Termination/Change Procedures***

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The relationship between the Borrower and the Contractor is a “marriage of convenience”. Usually it is a successful, mutually beneficial relationship. However, like all marriages, sometimes the relationship runs into trouble- even to the point of divorce – Contractor Termination and Replacement. As an FHA Consultant, the way you help the two parties engage will often be the difference between a smoothly ran project that completes on time with everyone satisfied at the end and a painful, time consuming situation that can even lead to legal battles.

To help you confidently navigate this process, below is an outline of the process for Contractor Termination/Replacement. Refer to the Power Team Tech Webinar for July 2016 for additional clarification and details on how to complete the necessary procedures using the Genesis 203k Rehab Reporting System.

### **I. CAUSES FOR TERMINATION**

- A. Poor Time Management
  - 1. Failure to start in reasonable time frame
  - 2. Excessive gaps between draws
  - 3. No progress
- B. Quality of Work
  - 1. Requesting Change Orders
  - 2. Cheap material
  - 3. Poor quality of workmanship
  - 4. Poor professionalism/lack of professionalism of workers
- C. Personality Conflict

### **II. ATTEMPT RESOLUTION IF POSSIBLE**

- A. Meet with parties
- B. Recorded calls
- C. Lender involvement
- D. You get to charge fees for time spent on this



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### **III. PROCESS FOR TERMINATING CONTRACTOR**

- A. Notification
  - 1. Written/email 15 days' notice
  - 2. Notify lender –email/call
- B. Contractor Termination Meeting
  - 1. RECORD- RECORD-RECORD
  - 2. Take another consultant with you
  - 3. Be Conservative in amount to pay contractor
  - 4. You get to charge fees for this service

### **IV. HIRING REPLACEMENT CONTRACTOR**

- A. New contractor must accept original SOR
  - 1. Payments to previous contractor must be deducted
  - 2. Hold backs may or may not be released
- B. Time Frames for project completion do not change
  - 1. Original completion date are still in effect
  - 2. Extension request may be requested- do not mention this to the new contractor until needed.
- C. Forms needed to make change – Change contractor in Genesis FIRST
  - 1. Change Order signed new contractor, borrower and consultant
  - 2. Homeowner Contractor Agreement
  - 3. SOR (initial every category by contractor- find out from loan officer first if they want this extra step)
  - 4. Draw Page 1- zeros, Page 2 new contractor
  - 5. W-9
- D. Process all fees due you as consultant for work involved in making the change