



Contractor Termination/Change Procedures

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



Contractor Termination/Change Procedures

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