Surety Bond Against Defects Due to Defective Materials and/or Faulty Workmanship

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

OMB Approval No. 2502-0468
(Expires 04/30/2009)

For all Insurance Upon Completion Projects.

Know All Men By These Presents, That We, _____

_____ (hereinafter called the "Principal") as Principal,

and _____ ,

a _____ corporation (hereinafter called the "Surety"), as Surety,

are held and firmly bound unto _____

_____ (hereinafter called the "Borrower")

and unto _____ (hereinafter called the "Lender"),

their successors and assigns, as their respective interests may appear, as Obligees, in the sum of * _____

_____ Dollars ($ _____)
lawful money of the United States of America, for the payment of which, We, the Principal and Surety, bind ourselves, our heirs, executors, administrators, successors and assigns, jointly and severally, firmly by these presents.

Whereas, Borrower is indebted to Lender in the sum of $ _____, said indebtedness being evidenced by a _____ , dated _____ hereinafter referred to as "Note," said indebtedness being secured by a mortgage or deed of trust of the same date, covering certain improved property more particularly described therein, hereinafter referred to as "Mortgage," which Mortgage is to be insured by the Federal Housing Commissioner, hereinafter referred to as the "Commissioner," under the provisions of the National Housing Act, as amended; and

Whereas, it was a condition precedent to the granting of the loan that the Lender should receive as additional security assurance that the improvements to the property described in said Mortgage would be constructed in accordance with Drawings and Specifications mutually approved by Borrower, Lender, and Commissioner prior to the commencement of construction of said improvements, subject to only such changes in said Drawings and Specifications as may have been approved in writing by the Borrower, the Lender and the Federal Housing Commissioner; and

Whereas, the Commissioner is unwilling to insure said Mortgage in favor of Lender without assurance that said improvements have been made and installed in accordance with said Drawings and Specifications and such changes therein approved as above; and

Whereas, Principal, as ** is expected to receive certain benefits from the granting of said loan to Borrower by Lender and the insurance of said Mortgage by the Commissioner.

Now Therefore, in order to induce the Lender to make said loan and the Commissioner to insure said Mortgage, the Principal unconditionally undertakes and agrees and guarantees on demand of the Borrower, Lender or Federal Housing Commissioner, or any of them, at the cost and expense of the undersigned and without recourse against the Borrower, Lender or Commissioner, or any of them, to remedy or cause to be remedied all defects due to faulty materials or workmanship or both, or any damage to the mortgaged premises resulting therefrom which become apparent within one year from the date the Commissioner acting through the Chief Underwriter of the responsible HUD Field Office, approves the final Project Inspection Report. Such date is hereinafter referred to as the "date of substantial completion." Said final Project Inspection Report may be approved subject to an escrow for incomplete items.

The condition of this obligation is such that, if the Principal shall well and truly perform said undertaking and agreement hereinabove set forth, and fully indemnify and save harmless Obligees from all cost and damage which they may suffer by reason of Principal's failure to do so, and fully reimburse and repay said Obligees for all outlay and expense which Obligees may incur in making good any such default, then this obligation shall be null and void; otherwise, it shall remain in full force and effect.

It is further understood and agreed by the parties hereto as follows:

1. This Bond and all rights accruing hereunder may be assigned to any owner or holder of the insured mortgage and to the Commissioner or his/her successor in office; and that such assignment shall in no manner invalidate or qualify this Bond.
2. That neither the Principal nor the Surety shall have any right of recourse against the Borrower, the Lender or the Commissioner, whether by subrogation, contribution or otherwise, by reason of any payment made or work done pursuant to this Bond.

3. That this Bond is a continuing guaranty within the limits aforesaid and shall run for a period of two years from the aforesaid date of substantial completion.
4. That the liability of the undersigned under this Bond shall continue and remain in full force and effect irrespective of the fact that the Mortgage loan encumbering said Project insured by the Commissioner has been repaid and the Mortgage discharged prior to the end of said two-year period.
5. That the aggregate liability of Surety hereunder to the Obligees or their assigns is limited to the penal sum above stated, and Surety, upon making any payment hereunder, shall be subrogated to, and shall be entitled to an assignment of, all rights of the payee against the Principal.
6. *** Surety and Principal agree that any right of action that the Borrower herein might have under this Bond may be assigned to the purchasing nonprofit ownership housing corporation or trust approved by the Commissioner and that such assignment will in no manner invalidate or qualify this instrument.
7. **** Surety and Principal agree that any claim or right of action that the Borrower herein might have under this Bond may be assigned to the Association of Owners and to the members of such Association and their successors in interest, as their interest may appear, after the property described in said mortgage has been subdivided into individual condominium estates, and that such assignment will in no manner invalidate or qualify this instrument.

Signed and Sealed this _____ day of _____, 20 _____.

Witness as to Principal

Principal (Seal)	By
Surety (Seal)	By

* An amount not less than _____ % of the cost of construction as estimated by FHA.

** State here the relationship of Principal to the project. The principal will normally be the general contractor, or may be the principal stockholder, partner or joint venturer of the general contractor.

*** Applicable only to Investor-Sponsor Projects under Section 213 or 221(d)(3) and to Section 221(d)(3) Builder-Seller Projects. Delete for all other projects.

**** Applicable only to projects under Section 234. Delete for all other projects.

Public Reporting Burden for this collection of information is estimated to average 0.3 hours 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 collection is necessary to ensure that improvements to insured property are made as required. It is important to obtain commitment from the Principal and the Surety that any defects discovered within two years of project completion are corrected without recourse to the Borrower, the Lender, or the Commissioner. This information is required in order to obtain benefits. This information is considered non-sensitive and no assurance of confidentiality is provided. 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.