



## **CBC Mortgage Agency Escrow Holdback Requirements**

**Borrower Name:**

**Loan Number:**

The Mortgagee may establish a repair escrow for incomplete construction, or for alterations and repairs that cannot be completed prior to loan closing, provided the housing is habitable and safe for occupancy at the time of loan closing and the following are met:

- Allowed for exterior repairs and/or improvements not completed prior to closing due to weather related delays.
- The total cost of repairs may not exceed \$5,000 prior to adding the required contingency. Exceptions are not allowed.
- Escrow Holdbacks are allowed only when the appraisal is completed "subject to repairs or alterations".
- The property must meet FHA minimum property standards at closing.
- Minor repair/improvement items may be completed by the borrower provided acceptable evidence of completion is obtained.
- If the appraisal is completed "as is" or the repairs are not part of the sales contract, the seller is responsible for the completion of repairs prior to closing.
- CBCMA approval is required for all repair escrows and eligibility
- After the repair escrow is closed, the Mortgagee must complete the Escrow Closeout Certification screen in FHAC within 30 Days after the escrow is closed.

### **Appraisal Requirements**

- The appraisal must include a list of the required exterior repairs and the estimated cost to cure

### **Eligible Repairs**

The following list of items are potentially eligible for repair escrows. Approval is required for all repair escrows and eligibility is subject to CBCMA review.

- Escrow holdbacks are typically allowed for repairs that are not required to meet FHA's minimum property standards, such as exterior painting or/and landscaping
- Escrow holdbacks are not allowed for structural repairs, foundation work, roofs or pools
- Escrow holdbacks in all cases, must be deemed necessary due to severe weather conditions

### **Escrow Amount**

Escrowed funds must be equal to the greater of 150% of the estimated repair costs or \$500

### **Completion Date**

1. Improvements or repairs must be completed within 60 days of the Note unless it is during inclement weather season.
2. Inclement weather season is considered to be between the months of November through March - repairs/improvements must be completed by April 30th or 60 days from the Note, whichever is further out.

*Please note: it is the responsibility of the correspondent lender to ensure that all repairs are completed. Notification from CBC Mortgage Agency or transferring investor is not guaranteed. Failure to complete the required repairs may result in repurchase liability.*

**Documentation Requirements**

- Fully Executed Escrow Holdback Agreement
- Closing Disclosure evidencing escrow of funds at closing
- Final inspection/documentation of completion of repairs as required on HUD form 92051 - line 14 checked and signed by the Fee Inspector, DE Staff Inspector, Appraiser or HUD Inspector; or Fannie Mae Appraisal Update and/or Completion Report (form 1004D) with front photo of the subject property completed by the appraiser; or a qualified professional may be a:
  - Professionally licensed, bonded, registered engineer; or Licensed home inspector; or appropriately registered/licensed trades person
  - If the borrower performed the minor repairs, receipts for the items needed to make the repairs and the fee inspection is required HUD Form 92300, Mortgagee’s Assurance of Completion, must be completed by the correspondent; must reflect the escrow amount; and the Mortgagee’s Assurance of Completion, pages 1 & 2 must be signed/dated after completion of repairs.
  - Evidence of release of escrow funds
  - If the contract indicates that the borrower is financially responsible for the required repairs, the source of the funds must be documented. Follow standard requirements for documentation of assets/funds to close
  - Effective for case numbers assigned on or after October 31, 2016, after the repair escrow account is closed, the Mortgagee must complete the Escrow Closeout Certification screen in FHAC within 30 Days after the escrow account is closed.

**Lender Acknowledgment**

We understand and agree to perform according to the terms of CBC Mortgage Agency Escrow Holdback Requirements as outlined herewith:

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