



Wednesday, October 06, 2010

RMC Wholesale Repair Escrow Guidelines

Effective for all loan applications taken **on or after October 8th, 2010** the following Repair Escrow guidelines will be in effect for all USDA and FHA 203(b) loans submitted to RMC Wholesale.

All loans requiring a repair escrow will be charged a \$350 Escrow Administration fee that is payable to RMC. The Escrow Admin fee will need to be disclosed either, upfront on the initial GFE/TIL to the borrower(s) or upon receipt of the appraisal (all re-disclosures must occur within 3 days of the change in circumstance). Failure to properly disclose the fee will result in a cost to cure from the broker.

A \$150 Compliance Inspection fee will be held in addition to the Repair Escrow amount. The Compliance Inspection fee will also need to be disclosed upfront on the initial GFE/TIL or upon receipt of the appraisal. Failure to properly disclose the fee will result in a cost to cure from the broker. The compliance inspection fee will be paid upon receipt of the completed inspection and all final escrow release documentation. If the borrower(s) choose to pay for the Compliance Inspection at the time of inspection, a bank statement or cancelled check must be submitted showing the borrower used their own funds to pay for the inspection. This is the only way the borrower(s) can be reimbursed for the paid inspection invoice.

All bids must include the following information to be considered by underwriting:

- Name, Address and phone of Contractor/Tradesman
- Copy of License
- Complete description of repairs, materials and labor costs
- Signature from contractor/tradesman
- Completion/ Delivery Date (must be less than 30days after closing)

To ensure all work is completed in timeframe given below, one-half of the Broker's total compensation will be withheld from the wire/draft at time of funding. Broker's compensation will be held until all final escrow release documentation has been submitted, work has been satisfactorily completed, and escrow funds can be released. RMC reserves the right to require more than one-half of the Broker's total compensation to be held at management discretion.

All repairs, unless weather related, must be completed and all final escrow release documents must be submitted within 30days of closing. If the work has not been completed by indicated date on the Escrow Agreement executed at closing, RMC reserves the right to hire a contractor to complete the work and disburse payment to the contractor from withheld funds. Failure to comply with all outlined steps to release held escrow funds in the appropriate timeframe may result in a partial or complete loss of Broker compensation held at closing.

Repair Escrow funds will be only be released upon completion of ALL required repairs/conditions of the Escrow Agreement. No draws will be given at closing. Partial releases are not allowed. The following documents are required for final repair escrow release:

- Completed Repair Escrow Release form
- Compliance Inspection and Invoice
- Final Contractor/Tradesman Invoice(s)
- Copy of Final executed HUD1
- Copy of Final executed Repair Escrow Agreement

Repair escrow releases will not be processed until all above captioned documents have been submitted and are deemed satisfactory. Failure to submit all required documents will result in a delay in processing of the repair escrow release. An underwriter will review all submitted documents within 2-3 business days of submission. If submitted documents are acceptable, the request will be submitted to secondary to release the Repair Escrow funds, Broker Compensation and pay the Compliance Inspection invoice. Please allow for an additional 7-10 business days from underwriter acceptance for checks to be issued. All escrow disbursements will be sent regular mail. Allow for a total of 2-3 weeks from submission of final escrow release documentation to receipt of checks.

A Repair Escrow Agreement is to be executed by the borrowers at the time of closing. A separate Broker Repair Escrow Agreement is to be executed by the Loan Officer prior to Clear to Close to ensure all guidelines have been provided and acknowledged.

Below is a list of program specific guidelines. All guidelines are subject to change.

USDA

- Repair Escrow will be held at total bid(s) amount. RMC reserves the right to require 1 ½ times the bid amount to be held at underwriter/management discretion.
- If additional ½ is required it CANNOT be financed into the total loan amount.
- No cash back to borrower unless the Repair Escrow was borrower funded (not rolled in).
- No “reimbursements” will be given to the borrower(s) for costs associated with the repair work.
- Any remaining Repair Escrow funds, that were originally financed, will be applied for a principle reduction to the loan balance.
- If escrow held is inadequate, or if additional items of repair are discovered at some subsequent date, it is the borrower’s responsibility to bear the additional cost.

- Repair Escrows are limited to the lower of, 10% of the proposed total loan amount or \$10,000.
- Any amount of \$5,000 must be approved by management
- Minimum amount for Repair Escrow is \$500- any repairs under \$500 will need to be completed prior to close.
- Deficiencies that affect the livability or safety of the home cannot be escrowed for- these repairs would need to be completed prior to closing.
- Items eligible for USDA Repair Escrow:
 - Appliances (with the exception of microwaves)
 - Flooring (carpeting, tile, hardwood, etc)
 - Roof repair/replacement
 - Minor cosmetic repairs (NO structural repairs)
 - NO luxury items
 - NO self help permitted
 - Additional items not listed will require management approval

FHA 203(b) with Repair Escrow

- *NOTE: FHA 203(b) with Repair Escrow requires RMC and Investor approval.*
- Total repairs must be less than \$5,000 to be considered.
- A minimum of two (2) bids by licensed/bonded contractors are required.
- Minimum amount for Repair Escrow is the greater of, \$500 or 1 ½ times the highest bid amount.
- Repair Escrow items cannot affect the livability of the dwelling; should be minor and uncomplicated; the dwelling must be habitable, safe and essentially complete.
- Escrow holdbacks are not permitted for the following reasons:
 - Structural repairs
 - Foundation work
 - Roofs
- Escrow holdback accounts are to be held by the title company- brokers must ensure the title company is equipped and able to hold escrow funds.
- If actual repair costs are less than the amount escrowed, the balance of the escrow will be applied to reduce the outstanding principle balance of the mortgage.
- If escrow held is inadequate, or if additional items of repair are discovered at some subsequent date, it is the borrower's responsibility to bear the additional cost.
- **HUD REO Property Disposition Sales- additional guidelines**
 - PA must indicate the loan is a 203(b) with Repair Escrow
 - Repair Escrow amount must be listed on PA and approved the M&M contractor
 - Any additional repairs needed outside of original negotiated PA or required by the DE will require a revised PA indicating the new Repair Escrow amount
 - Repair Escrow holdback amount on HUD1 must be equal to amount approved on PA