



# Escrow Repair Holdback

## **Flanagan State Bank offers Escrow Repair Holdback for the following loan types:**

### **FHA**

### **USDA**

**VA** – with management approval only (Please receive management approval ASAP before proceeding)

**Conventional** – management approval only. Please receive approved as early as possible in the process.

When wishing to use this feature, there are specific guidelines in place that must be met.

### **FHA/VA Escrow Repair**

- Allowed up to \$5000. Max amount must include bid for repairs and 150% of bid
- Can only include repairs noted by the appraiser to bring home to HUD/VA requirements.
- Escrow Holdback Agreement must be signed by the borrower and seller (as applicable)
- Final Inspection and final invoice required to release funds
- Repairs not to exceed 30 days to complete
- Repairs can only be completed by a licensed contractor or if state does not require licensing, contractor must be verifiable and have valid insurance.
- Repairs cannot be completed by the borrower – no exceptions
- Repairs cannot be “rolled” into the loan amount and must be funded by the borrower or the seller, if a purchase
- VA only – lock must be valid through the repair’s completion and funding of the holdback account.

**Weather related repairs** will be acceptable but must be completed at the first available opportunity or a penalty may be incurred.

- Weather related repairs will require 2 bids from licensed contractors. If licensing is not required in a state, the bids must be from a professional contractor. Valid insurance may be requested from the contractor.
- The higher bid will be used for the holdback.
- 150% of the higher bid will be used, regardless of who is providing the funds at closing.
- A Final Inspection for the repairs will be required to release funds
- Final Inspection with Final Invoices to be sent to [rebeccamoorehead@flanagansatebank.com](mailto:rebeccamoorehead@flanagansatebank.com) for approval to release funds

### **USDA**

- IF the appraisal is higher than the purchase price, the funds needed to complete repairs can be included in the loan amount.
- Only repairs required to meet HUD Guidelines and shown on the appraisal may be escrowed for repair.
- Limited to 10% of the loan amount per USDA Handbook
- Bids/Invoices are required for underwriting the file. Borrower may choose contractor.
- Repairs must be completed within 30 days of closing
- Interior and Exterior work may be included

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**For ALL Programs, the following will be required:**

- 1) Escrow Repair Holdback Agreement to be signed by all parties. If Seller is paying for repairs, we will require Seller and Buyer signatures.
- 2) Escrow Repair Holdback Agreement must be fully completed with dates and details for underwriter to review prior to CTC
- 3) Bids must be supplied that match the numbers being submitted on the Holdback Agreement. Only one bid is required and the borrower will choose the contractor. Unless the repairs are weather related, then 2 bids will be needed.
- 4) FHA & VA will not allow for the funds to be included as part of the loan amount (unless a HUD transaction and is clearly marked on the HUD Purchase contract). If the borrower is providing the funds, proof of adequate funds will be required.
- 5) A FINAL INSPECTION will be required to release the funds. Please do not forget to include on the LE and CD.
- 6) To notify FSB that the work has been completed and release of funds may occur the following must be emailed to our Funding Manager (Rebecca Moorehead):
  - a) Final Invoices from Contractors that include where checks should be mailed to
  - b) Final Inspection showing work has been completed in full

Email to: [rebeccamoorehead@flanaganstatebank.com](mailto:rebeccamoorehead@flanaganstatebank.com)