

REPAIR ESCROW AGREEMENT USDA

THIS AGREEMENT, including the provisions below is made this _____ day of _____, 20_____, between the Borrower(s): _____ and _____ (Lender) and or its assignee to establish the conditions under which the Lender will allow a repair escrow to be held by the Lender after the closing of the property listed below. The funds of which will come from the Seller, Borrower or others at the closing of the mortgage or deed of trust on the property listed below.

The subject property is located in the County of _____ State of _____ and is described as: _____

1. Payments required under the executed mortgage or deed of trust must be made by the Borrower(s) on the date specified, even though the proposed rehabilitation or improvement may not be completed or the property may not be suitable for occupancy due to the required repairs by the anticipated completion date.
2. The Lender intends to deliver the loan to USDA, therefore, the Borrower(s) agree to conform to, and to cause improvements to be constructed in conformance with all requirements of the program.
3. The Lender will place the entire amount of the repair escrow plus any reserve amount as required by the Lender in a secured interest-bearing account, trust or escrow (hereafter called, "escrowed funds") for the benefit of the Borrower. Lender shall release the escrowed funds by ACH wire, payable to the contractor only after a satisfactory final inspection report from the appraiser, Borrower authorization, an executed Repair Escrow Completion Letter from the owner and an executed Conditional Waiver from the Contractor are received by the Lender. The completion letters can be found on the Lender's websites.
4. The escrowed funds will contain a contingency reserve as determined by the Lender.
5.
 - a. The cost of repair(s) as indicated on the appraisal report and construction contract is \$_____.
 - b. The reserve contingency required by the Lender is \$150% of the total repair cost.
 - c. The estimated cost of the final inspection(s) from the appraiser after all of the work is completed is: **\$ 165.00 standard Stick-Built / \$175.00 for Manufactured Homes**.
 - d. The total escrowed funds for the property listed above is (the sum of 5a, b and c) \$_____.
6. Work must begin within **15** days following the date of the loan closing. Work must be performed with reasonable diligence; therefore, work is never to cease for more than 30 consecutive days
7. A satisfactory final inspection report from the appraiser, an executed Repair Escrow Completion Letter from the owner and an executed Conditional Waiver from the Contractor must be received by the lender within **180** days of closing.
8. If, for whatever reason, all documents are not received within 60 days of closing, any funds remaining in the escrowed funds account after 60 days of closing will be applied as a principle reduction to the mortgage. If the funds held in escrow are used to make a principle reduction, the final payment to the contractor will not be available from the lender.
9. If the contingency reserve or any part of the escrowed funds is not used, the remaining balance will be applied as a principle reduction of the loan regardless of where the initial escrowed funds came from.
10. If the funds held in escrow are used to make a principle reduction, payments required under the executed mortgage or deed of trust must be made by the Borrower(s) on the date specified. The principle reduction payment should not be misconstrued as a regular required monthly payment.
11. If the repair escrow will be provided by the seller, the amount to be advanced by the Seller, as provided in their contract of sale or other repair escrow agreement as approved by both parties, must be approved by the Lender prior to closing.

There are no advances of renovation funds. Under no circumstances can any construction item or material be paid for without the work or material having been acceptably completed or installed (e.g., materials on site cannot be included in the draw request.)

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