

## Escrow Holdback Requirements

HUD REO and Corporate approved Escrow Holdback procedure may only be used when the following conditions are met:

- Items that need to be repaired or completed, as noted by appraiser to meet compliance MPR conditions per HUD, VA and Conventional loans.
- The dwelling needs to be habitable, safe and essentially complete
- Deferred work must be completed within 10 calendar days of funding. (completions longer than 10 calendar days will need **an exception**)
  - If work is not completed within 10 calendar days of funding there will be a penalty fee assessed to the branch of .25% of the loan amount. Additionally, if work is not completed within 30 calendar days the Loan Officer will be suspended from the program for 3 months.
  - In order to facilitate an escrow holdback PBM does not consider the loan closed until withhold work is satisfied and signed off at which time the Loan Officer commission will be paid.
- All other approval conditions of the loan must be met and certified by a PBM underwriter and/or funder.
- All health and safety conditions of the appraisal must be satisfied by a “Compliance Inspection” (1004D) prior to funding.

All escrow holdback funds must cover the cost to cure and escrow holdback re-inspection fee (by either the appraiser or fee inspector as required). HUD allowed fee charge of, approximately \$200 and must be collected at closing. All funds will be retained in the Escrow Holdback account at escrow or in the pass through account with PBM Corporate.

Escrow holdback funds will be provided by the buyer, sellers or the loan amount as stipulated by the specific loan type.

PBM Secondary will authorize payment release for all holdback funds. Funds will be disbursed, to any unpaid contractor for work completed and to any inspector for inspection fees incurred.

Funds remaining after work has been completed are to be disbursed as follows

- HUD REO- principal reduction only allowed per HUD.
- Escrow Holdback- funds borrower has placed in escrow can be returned to borrower. Funds financed through loan will be required as a principal reduction only.

Hud REO approval for lead based paint requires-

- Underwriter must condition for a copy of the lead-based paint test. This will confirm if the property was noted by HUD to reflect lead-based paint.

## ESCROW HOLDBACK GUIDELINES



PBM branch manager, funder, underwriter or loan officer is responsible for notifying PBM Withholds upon completion of work by email. PBM Branch Underwriter will order the 1004D for completion by appraiser or fee inspector as required through PBM appraisal department.

### Branch Procedures

Requirements prior to Loan documents being issued:

- Branch to fill out and sign the Escrow Holdback Request (found on intranet PBM/policy and procedures manual/forms).
- Borrower(s) and Seller(s) to execute PBM Holdback agreements (forms found in PBM web under forms) Note: seller only required to execute if funds are held from seller.
- Provide a copy of the signed itemized bid(s) from a licensed contractor(s) that clearly identifies all repairs individually, itemized costs, date starting and completion.
- Evidence must be obtained to show contractor(s) are currently licensed and proof current contractor bond as required by state licensing board.
- Contractor(s) to provide fully executed W-9.
- All above mentioned items are required to be forwarded to [PBMWithholds@myprovident.com](mailto:PBMWithholds@myprovident.com) for approval and possible cost adjustment as determined by PBM Withholds and program type. Do not move forward without corporate approval.
- Copy of holdback approval from secondary, holdback signed forms, bid(s) and contractor(s) license (if applicable) are to be retain in file.
- Once the branch has all work completed and 1004D send request to [PBMWithholds@myprovident.com](mailto:PBMWithholds@myprovident.com) for approval of release of funds (internally held or with escrow).
- Upon approval of release of funds the PBM Withhold Team will email the branch with final approval. Do not move forward without corporate approval.

### Requirements at Approval & Documents

- PBM Underwriter to place a **PC** conditions
  - listed repairs as required by Holdback
  - 1004D or 92300 (Mortgagee Assurance of Completion) are completed in full.
  - PBM Withhold **ONLY** to release funds from Escrow Holdback account by escrow or corporate pass-through account.
  - Appraisal home inspection requirements paid through Escrow Holdback
- PBM Underwriter to place a conditions
  - Escrow amendment to state Holdback amount
  - Source of funds retain from (loan or borrower)
  - Escrow amendment to note only PBM can authorize release of Holdback funds
  - Loan file to retain all copies of all fully executed PBM Hold-back forms, bid(s) and contractor(s) license.

## ESCROW HOLDBACK GUIDELINES



- Notification to Contractor(s) of request for processed Mechanic Liens for any work over \$1000
- All health and safety conditions must be met prior to funding with 1004D. (these conditions can not be part of the Escrow Holdback account)
- 1004D to validate all withhold conditions completed unless completed by a licensed contractor with supporting Certification of Completion. (i.e. roof cert, electrical cert etc.)
- Underwriter must condition as follows for all defective paint surfaces as follows-
  - Paint surfaces for homes built prior to 1978- interior and exterior
  - Paint surfaces for exterior for all homes post 1978 with finish noted unprotected

### Funding Procedures

- Funder to verify **ALL** underwriter conditions not marked **PC** noted above are cleared
- Funder to confirm all Escrow holdback forms, bids and funds are documented in file
- HUD -1 REVIEW- Escrow held Holdback
  - Funder to confirm that withhold funds are noted on HUD-1 series 1300 when escrow holds funds.
- HUD-1 REVIEW- PBM held Withhold
  - Funder to confirm that Withhold funds are noted on HUD-1 (if lender held on 800 series) and place fee on fee screen on line 1114. ( Funding will not balance)
  - Funder to confirm that Withhold funds are placed in corporate pass through account
  - Funder to email accounting attention Kymberlee Macgill & Owen Smith the following statement—"Account number \_\_\_\_\_ funded with escrow holdback credit to pass through account in amount of \$\_\_\_\_\_. Funds held for repairs of \$\_\_\_\_ and re-inspection fee of \$\_\_\_\_. Confirmation of trust balance account required"

### Post closing requirements

- Underwriter to inform PBM Withhold of completion of work.
- Branch Underwriter to order 1004D for final completion inspection
- PBM Withhold to pay all contractor(s), borrower(s) and Appraiser out of either escrow Holdback account or Corporate Pass-through account
- PBM Withhold to confirm contractor(s) provided fully executed W-9 and Mechanic Liens Releases (if applicable) prior to payment mailed and documents to be imaged in DocuTreev
- Underwriter to complete and image HUD 92300 page 1 & 2 for case binder file.