

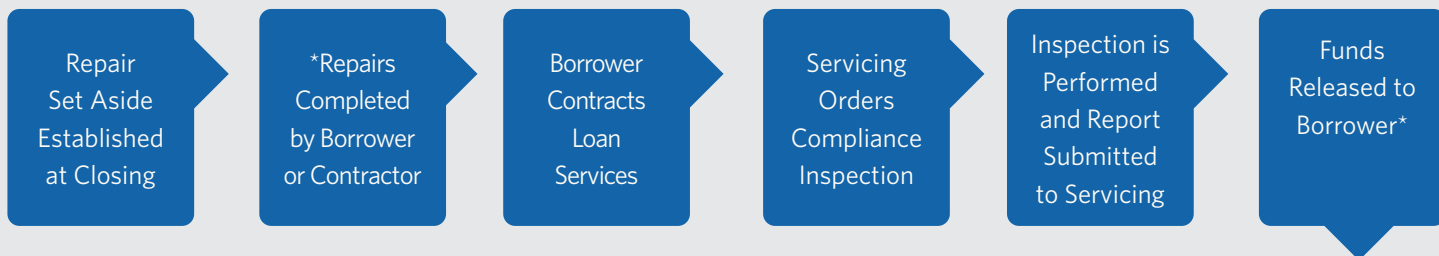
REPAIR SET ASIDES

All FHA loans are required to meet minimum property standards. When those standards are not met, the appraiser must comment on the needed repairs. Often the appraiser will provide a cost-to-cure, but for larger repairs a contractor's bid may be required.

Repair set-asides are established to cover the cost of repairs identified in the appraisal report and deemed necessary by the Underwriter for HECM insuring. These set-asides generally address cosmetic items. Health and safety-related repairs must be completed before Closing. HUD requires all repairs to be finished within 12 months (including an approved extensions) of loan closing; otherwise, the loan is considered in default. Mutual's Repair Rider establish a 6-month expiration date to allow for time extension if needed. The repair set-aside funds will not be accessible to the borrower until the repairs are completed, inspected, and the inspection report is submitted to the Servicing Department. The amount allocated for the repair set-aside will be detailed in the Loan Agreement and Repair Rider, both of which are signed at closing.

Monitoring Repairs

The Repair Administration Department is responsible for monitoring the progress of the required repairs, ordering inspections and disbursing repair funds.



*Borrowers can be reimbursed for materials that have been purchased and delivered to the home but not yet used in the repair work. To do so, the borrower must submit the receipt for the materials along with a letter stating that the materials are on-site but have not been used yet. When using a contractor or handyman, a lien waiver must be completed, and the final invoice must be signed by the borrower before funds are released. If the borrower completes the repairs themselves, a Homeowner's Certification must be filled out.

Repair Set-Aside Calculations and Available Funds

Mutual calculates all repair set asides at 150% of the repair amount. A 1.5% repair administration fee is charged based on the amount of the repair (minimum of \$50, maximum, of \$250).

- The dollar amount of the repairs cannot exceed 15% of the Maximum Claim Amount. Repairs can be made prior to closing to get the total below the 15%.
- The repair set aside includes the cost of the final inspection.
- Unused repair funds will be available to the borrower in their Line of Credit on ARM loans.
- Unused repair funds will not be available on Fixed Rate loans.
- When funds are released, they will be added to the loan balance.
- If repairs are not made on time all loan advances, including monthly payment plans, will stop.

Accessing Funds Before Inspection

Funds may be released for the cost of materials with supporting documentation that the borrower has paid for the material if they have not been incorporated into the job. A statement confirming this must be included.

