Mutual of Omaha
REVERSE WHOLESALE

3131 Camino Del Rio North Suite 1100
San Diego, CA, 92108

Repair Set Asides

All HECM and SecureEquity 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.

While health and safety-related repairs must be completed before Closing, repairs deemed cosmetic in nature by the Underwriter may be done after Closing via a repair set aside.

Funds are set aside to cover the costs of the repairs and released to the borrower's Line of Credit after the repairs have been completed and inspected. The set-aside is 150% of the repair amount provided by the appraiser (or contractor for larger repairs).

Monitoring Repairs

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

Mutual's Repair Rider establishes a 6-month expiration date to allow for time extensions if needed. Repairs must be finished within 12 months (including any approved extensions) of loan closing, or the loan is in default. The repair set-aside funds will not be accessible to the borrower until the repairs are completed, inspected, and the inspection report has been 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.

Repair Set Aside Workflow

Repair Set Aside established at Closing → *Repairs Completed by borrower or Contractor → Borrower Contacts Loan Servicing → Servicing orders Compliance Inspection → Inspection is performed and report submitted to Servicing → Funds released to borrower*

**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 to both the borrower and the contractor. 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%.
- 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 repair 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.

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