



Escrow for Repairs: Existing Homes
Escrow for Completion: New Homes
What Fannie Mae Requires

With a number of homes still on the market with deferred maintenance and minor conditions, the flexibility to finance these homes is an important key to keeping many deals together. What many do not know is that Fannie Mae actually allows for some flexibility in regard to these properties.

Existing Property Highlights

If the appraiser reports the existence of minor conditions or deferred maintenance items that do not affect the safety, soundness, or structural integrity of the property, the appraiser may complete the appraisal “as is.” However, these items must be reflected in the appraiser’s opinion of value.

Minor conditions and deferred maintenance items include, but are not limited to, worn floor finishes or carpet, minor plumbing leaks, holes in window screens, or cracked window glass, and are typically due to normal wear and tear.

It is not required to ensure that the borrower has had this work completed prior to closing. An escrow account is not required for any repairs. However, at their discretion lenders may escrow for these items.

When there are incomplete items or conditions that do affect the safety, soundness, or structural integrity of the property, the property must be appraised subject to completion of the specific alterations or repairs. In these cases the borrower may be better suited for one of the renovation loan programs we have available.

New Property Highlights

As with existing properties, Fannie Mae allows for purchasers of new homes to close with postponed improvements as well. However, different conditions and criteria apply. In these cases, the improvements yet to be completed cannot exceed 10% of the as-completed value of the home. In addition, the improvements to be made cannot impair the ability to obtain a certificate of occupancy, and an escrow account is required to be established to ensure completion of the improvements.

If you have a client that may have one of these situations, I am ready to help you. Don’t hesitate to contact me for more information on these additional options allowed by Fannie Mae.