

**AMERICAN FINANCIAL RESOURCES, INC.
REPAIR ESCROW AGREEMENT**

THIS AGREEMENT, including the provisions below is made this _____ day of _____, 20_____, between the Borrower(s) _____ and **American Financial Resources, Inc.** (Lender) 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 request the Assistant Secretary for Housing-Federal Housing Commissioner (“Commissioner”) to insure the loan under the provisions of Section 203(b) of the National Housing Act; therefore, the Borrower(s) agree to conform to, and to cause improvements to be constructed in conformance with all requirements of the Commissioner.
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 check, payable to the contractor only after 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 are received by the Lender. The completion letters can be found on the Lender’s websites.
4. The escrowed funds may or may not 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 \$_____.
c. The estimated cost of the final inspection(s) from the appraiser after all of the work is completed is \$ **300.00**.
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 **60** 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.
12. The Borrower will be required to complete all improvements on the property in accordance with the architectural exhibits (if applicable) or the construction contract as accepted by the Lender or at a minimum, the repairs required by the appraiser as listed on the accepted appraisal report.
13. Changes to the architectural exhibits (if applicable) or the Construction Contract must be approved in writing by the Lender prior to the beginning of the work. All requests must be in writing and sent to escrow@afmortgage.com or escrow@afrwholesale.com
14. Both Owner and Contractor will cause all improvements to be made in a workmanlike manner and in accordance with all applicable statutes and regulations. All licenses, permits and privileges required by local governmental authorities to rehabilitate the property will be obtained by the Borrower(s) or his/her contractor prior to closing.
15. Representatives of the Lender and or the Commissioner will have the right to enter upon the property at all times during the period of construction and on completion of construction to determine whether the work conforms with this agreement and to determine the amount of the escrowed funds to be released by the Lender.
16. Borrower will furnish such records, contracts, bills and other documents relating to the property and the improvements as the Lender or the Commissioner may require.
17. Without prior written consent of the Lender, no materials, equipment, fixtures or any part of improvements financed with this loan will be purchased or installed subject to conditional sales contracts, security agreements, lease agreements or other arrangements whereby title is retained or the right is reserved or accrues to anyone to remove or reposes any item, or to consider it as personal property.
18. The Borrower will cause either this instrument or the construction contract under which the improvements are to be made to be filed in the public records, if the effect of recording will be to relieve the mortgaged property from mechanics' and materialmen's liens. Before any advance under this Agreement, the Lender may require the Borrower to obtain acknowledgment of payment and releases of lien from the contractor and all subcontractors and materialmen dealing directly with the principal contractor (if applicable). The releases will cover the period down to the date covered by the last advance, and concurrently with the final payment for the entire project. Such acknowledgments and releases must be in the form required by local or state lien laws and must cover all work done, labor performed and materials (including equipment and fixtures) furnished for the project.

- 19. In the event of any Stop Notices, Notices to Withhold, Mechanics Liens, or claims of lien are filed against the property, the Lender, after five (5) days notice to the undersigned of its intention to do so, may pay any or all of such liens or claims, or may contest the validity of any claim.
- 20. Failure of the Borrower to perform under the terms of this Rehabilitation Loan Agreement will make the entire loan amount and any unpaid interests and costs, at the option of the lender, due and payable.
- 21. Date of estimated completion: _____
- 22. The Lender can be contacted by e-mailing escrow@afrmortgage.com or escrow@afrwholesale.com or by calling 973-983-5626.

Mortgagor Date

Mortgagor Date

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Mortgagor Date

Mortgagor Date

Signature of Lender

Title

Date