



**Cornerstone**  
HOME LENDING, INC.  
Correspondent Lending Division

**TO:** Correspondent Lenders  
**FROM:** Angela Breidenbach, Operations Manager  
**DATE:** September 9, 2014  
**RE:** Servicing Transfer Address Change  
 Escrow Holdback Policy

**Servicing Transfer Address Change**

In an effort to streamline processes for our correspondent partners, and provide more seamless service to your borrowers, Cornerstone is changing the servicing transfer address, correspondence address, customer service #, and hours of operation to the Houston information as follows:

Servicing Transfer Address	Cornerstone Home Lending, Inc. Attn: Loan Servicing 1177 West Loop South, Suite 200 Houston, TX 77027 877-461-1819
Correspondence Address	Cornerstone Home Lending, Inc. Attn: Loan Servicing 1177 West Loop South, Suite 200 Houston, TX 77027
Customer Service #	877-461-1819
Hours of Operation	Monday through Friday, 7:30 am – 5:00 pm Central Time

**What does this mean to you?**

Effective with loans delivered for purchase on, or after, October 15, 2014, all servicing transfer letters, first payment letters, goodbye letters, **must** show the Houston information. Failure to comply may result in purchase delays and extension fees.

Once the loan is purchased by Cornerstone, we will send the borrower a hello letter with their new loan number and servicing information.

**Escrow Holdback Policy**

**Cornerstone Correspondent Lending Division has further defined our Escrow Holdback Policy as follows. This policy can be found in section 602.02h of the Correspondent Loan Policy Manual found on our web-site: [www.chlcorrespondent.com](http://www.chlcorrespondent.com):**

*602.02h* - Cornerstone Home Lending Correspondent Lending Division (CHL) expects a property to be 100% complete at the time of delivery; however, there are exceptions.

CHL will purchase loans subject to escrowed funds for the completion of post-closing improvements to newly constructed properties, provided that the escrow was established in accordance with the guidelines below.

CHL will also purchase loans secured by existing properties with escrows for **weather related** improvements. In such cases, CHL will withhold the SRP until completion of repairs is documented and escrow has been released.

Correspondent may close conforming conventional loans secured by existing properties with escrows for non-weather related improvements. However, **CHL will not purchase until completion of repairs is documented and escrow has been released.** In such case, Correspondent will need to account for completion of minor non-weather related repairs when locking the loan with CHL.

## **WEATHER RELATED ESCROWS**

**FHA/VA** – exterior weather related only

**Jumbo** – refer to Jumbo Product Program Eligibility Guides published on the CHL web-site: [www.chlcorrespondent.com](http://www.chlcorrespondent.com)

**Conventional** – exterior weather related

### **New Construction**

- Incomplete items that do not affect the ability to obtain a Certificate of Completion, Occupancy Certificate or clear final inspection (example: landscaping, sod). CHL must receive a clear final inspection reflecting that home is complete with the exception of the minor weather related items reflected in escrow holdback agreement.
- Repairs/improvements not listed as Ineligible

### **Existing Construction**

Eligible Repairs - Minor conditions or deferred maintenance items included, but are not limited to:

- Exterior painting
- Minor exterior plumbing leaks
- Replacement of window glass and/or screens
- Replacement of doors
- Replacement of fixtures
- Replacement of rotted exterior wood
- Garage door repair
- Other “wear and tear” items at the discretion of the underwriter

Ineligible Repairs - include, but are not limited to the following:

- Installation or repair of a swimming pool
- Completion of a partially finished addition or renovation
- Well/Septic repairs
- Roofing, including active roof leaks and curled or cupped roof shingles
- Extensive electrical or plumbing repair
- Foundation or structural repairs, including cracks or settlement in the foundation or water seepage
- Termite damage (excluding minor repairs)
- Environmental hazards

### **Time Line for Weather Related Repairs**

Repairs must be completed 120 days from Note date. If additional time is needed to complete repairs, extensions will be considered on a case by case basis.

### **Amount to Hold in Escrow**

The cost for completion must be verified with contract or a cost to build/repair bid from the contractor(s) who will be completing the repair(s). Escrow holdback must have a built in contingency for cost overruns, but be equal to at least 100% of the contract/bid.

### **Required Signature on the Escrow Agreement**

All interested parties must sign the escrow agreement. Use Escrow Repair Agreement provided in the Forms section of the CHL web-site: [www.chlcorrespondent.com](http://www.chlcorrespondent.com). Correspondent may use their own version as long as all language is included.

### **Who Holds the Escrow Funds**

The closing agent, correspondent, or title company should hold the funds. In no event may any other party hold the funds to the transaction, (i.e. builder, seller or borrower).

### **Tracking of Outstanding Escrow Funds**

The Correspondent is responsible for the tracking, management and follow-up on all outstanding escrow agreements; including ordering final inspections and managing/authorizing the disbursement of escrow funds. In the case of weather related improvements, where CHL has withheld SRP from purchase amount, if improvements are not made as agreed within 90 days from Note, Correspondent will forfeit rights to SRP. Exceptions may be made on a case by case basis, but under no circumstances, can repair time line exceed 180 days from Note date.

## **Required Documentation Escrow Holdbacks**

The following documentation is required on escrow holdbacks:

- Fully executed Escrow Repair Agreement (or similar form provided by Correspondent)
- Copies of all contracts/repair bids from contractor(s) who will be performing repair
- HUD-I evidencing escrow of funds at closing
- Final inspection/documentation of completion of repairs
- Evidence of release of escrow funds
- Conventional and FHA: If the HUD I indicates that the borrower is financially responsible for the required repairs, the source of funds must be documented. Follow standard requirements for documentation of assets/funds to close.
- FHA: Completed Mortgagee's Insurance of Completion form (HUD-92300)

## **NON-WEATHER RELATED ESCROWS**

### Eligible Repairs

Minor internal repairs or deferred maintenance including, but not limited to:

- Flooring upgrade
- Minor electrical or plumbing repair
- Replacement of interior doors
- Replacement of fixtures
- Other "wear and tear" items at the discretion of the underwriter

### Ineligible Repairs

Include, but are not limited to:

- Completion of a partially finished addition or renovation
- Extensive electrical or plumbing repair
- Major internal structural or dry wall repairs
- Environmental hazards

## **Time Line for Non-Weather Related Repairs**

Must be completed prior to purchase. Correspondent will need to account for completion of minor non-weather related repairs when locking the loan with CHL. Extension fees will apply per section 215.00 Extension/Re-pricing policy.

Reminder: CHL cannot purchase loans beyond 90 days from Note date. No exceptions.

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- Conventional and FHA: If the HUD indicates that the borrower is financially responsible for the required repairs, the source of funds must be documented. Follow standard requirements for documentation of assets/funds to close.

**General Reps and Warrants**

- as of the date of the Certificate of Completion, there shall be no mechanics' or similar liens or claims that have been filed for work, labor or material (and no rights are outstanding that under the law could give rise to such liens) affecting the related mortgaged property which are or may be liens prior to, or equal or coordinate with, the lien of the related mortgage;
- no litigation, proceeding, claim, dispute, demand, or investigation is or shall become pending or threatened relating to the escrow holdback agreement, the work to be performed in accordance therewith, the escrow funds or any other matter related thereto; and
- all other representations and warranties made by the Correspondent in the Delivery Cornerstone of this Loan Policy Manual with respect to the mortgage loan are true and correct.

As always, your business is greatly appreciated. If you have questions regarding this communication, or any other operation questions, please contact me at: [abreidenbach@houseloan.com](mailto:abreidenbach@houseloan.com) or 505-814-7784.