

Section 1.12 – Completion Escrow Guidelines

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Completion Escrow Guidelines, Continued

Overview

SunTrust prefers a property to be 100% complete at the time of delivery of the loan; however, there are exceptions.

- For Agency loan programs, SunTrust will purchase loans subject to escrowed funds for the completion of post-closing improvements to newly constructed and existing properties, provided that the escrow was established in accordance with Agency guidelines.
 - For the Key Loan program, SunTrust 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. SunTrust will purchase loans secured by existing properties with escrows for improvements on a case-by-case basis.
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Related Bulletins

Related bulletins are provided below in PDF format. To view the list of published bulletins, select the applicable year below.

- [2018](#)
 - [2016](#)
 - [2015](#)
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Agency Loan Program Completion Escrow Guidelines

Reference: See "Postponed Improvements" in the "Appraisal Requirements" topic outlined in [Section 2.01 Agency Loan Programs](#) of the *Correspondent Seller Guide* for guidelines.

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Completion Escrow Guidelines, Continued

Key Loan Program Completion Escrow Guidelines

Types of Completion Escrow

External Improvements

Incomplete exterior items such as seeding, grading, landscaping, driveway and touch up painting are acceptable items, which may be escrowed. The expiration date for escrow is 30 days from the closing date, unless the Winter Months Guidelines are used or the escrow is for a swimming pool. The SunTrust Correspondent Operations Manager prior to closing must approve any exception to the standard guidelines.

Internal Improvements

- Escrows for internal improvements are generally not allowed.
- Escrows for floor upgrades are acceptable per the standard guidelines listed below.
- All other internal improvements will be considered on a case-by-case basis and must be approved by the SunTrust Correspondent Operations Manager prior to closing.

Flooring Upgrade

Escrows for flooring upgrades are subject to the following guidelines:

- the loan must be an Agency loan,
- the subject property must be new construction,
- the loan must be a purchase transaction,
- the borrower must occupy the subject property as a primary residence,
- the appraiser must certify that an escrow for the flooring “upgrade” does not affect the habitability of the subject property,
- 1.5 times the cost of completion must be held in escrow, and
- the expiration date of the escrow is 30 days from the date of closing.

Swimming Pool Escrow Guidelines

Escrows for swimming pools have been temporarily suspended effective for locks on or after January 25, 2010.

Winter Months Guidelines

- The expiration date for escrow completion may be extended for new construction properties only if the improvements are external and the cause for the escrow is weather-related.
- The inclement weather months have been established as November through March, and only applies to those geographic locations that experience winter weather conditions. Lenders may not use the Winter Months Guidelines for swimming pool escrows. Loans that close during these months must have an escrow agreement expiration date no later than April 30th.

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Completion Escrow Guidelines, Continued

Key Loan Program Completion Escrow Guidelines, continued

Winter Months Guidelines, continued

- A letter explaining the use of the Winter Months Guidelines must be attached to the *Escrow Agreement for Postponed Improvements* ([COR 0016](#)) to assist the purchase reviewer in determining the reason for exception from the normal 30-day requirement. If a date beyond April 30th is needed, please contact SunTrust for approval, prior to closing.

Note: The incomplete items may not adversely affect the basic safety or livability of mortgage premises.

Conditions of the Escrow Agreement

Amount to Held in Escrow

Escrow holdback must be for one and a half (1.5) times the value of the incomplete improvements. The cost for completion must be verified with contract or a cost to build/repair estimate.

Term of the Escrow Agreement

The expiration date is 30 days from the closing date, unless the Winter Months Guideline applies with the exception of swimming pools. Swimming pool escrows expire sixty (60) days from the closing date. SunTrust must approve any extension to the expiration date.

Required Signature on the Escrow Agreement

All borrowers, builder/seller and lender must sign the escrow agreement. Use the correspondent form *Escrow Agreement for Postponed Improvements* ([COR 0016](#)). Use of any other form requires SunTrust prior approval.

Who Holds the Escrow Funds

The closing agent, lender, 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 follow-up on all outstanding escrow agreements. If improvements are not made as agreed, SunTrust will hold the correspondent lender responsible for completing the improvements with the escrowed funds.

Authority to Release Escrow Funds

The original appraiser must inspect the completed work, and, if applicable, a *Satisfactory Completion Certificate* (Freddie Mac form 442) with photos must be completed and signed.

- Obtain satisfactory evidence (mechanic's lien waiver) from the builder/seller to assure that there are no outstanding mechanic's liens, which can attach to the property.
- Send the completed *Satisfactory Completion Certificate* and mechanic's lien waivers to the purchase reviewer.

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Completion Escrow Guidelines, Continued

Septic Repairs/ Replacements in Massachusetts

General

A satisfactory septic inspection is required prior to the transfer of title on any property with a private sewerage system located in Massachusetts as mandated by Title 5 of the Massachusetts environmental Code. If an unsatisfactory septic inspection is received, and escrow holdbacks will be necessary for septic repairs, the guidelines below must be met.

- Septic repair plans guaranteeing that the system, once repaired, will pass inspection and must be approved by the Board of Health.
- SunTrust's Winter Months Escrow Guidelines do not apply. Since a malfunctioning or inadequate septic system may adversely affect the livability of the dwelling, the septic system must be completed within 60 days of closing.

Note: Repairs that require a complete replacement of the septic system are unacceptable.

Amount to held in Escrow

The escrow holdback must be for one and one-half (1.50) times the estimated amount needed to complete the repair. A qualified septic contractor must verify the cost for completion.

Term of the Escrow Agreement

The expiration date is within 60 days of the closing date.

Required Signature(s) on the Escrow Agreement

All borrowers, builder/seller and lender must sign the escrow agreement. Use correspondent form *Escrow Agreement for Postponed Septic Improvements* ([COR 0016a](#)).

Who Holds Escrow Funds

The closing agent, lender, 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 Funds

The correspondent will be responsible for follow-up on outstanding escrow agreements. Once the septic repairs are complete, the correspondent will order the final inspection from the local Board of Health. If improvements are not made as agreed, SunTrust will hold the correspondent lender responsible for completing the improvements with the escrowed funds as set forth in the Escrow Agreement.

Authority to Release Escrow

- The local Board of Health must complete the inspection and issue a passing certificate.
- Obtain satisfactory evidence (mechanic's lien waiver) from the builder/seller to assure that there are no outstanding mechanics liens that can attach to the property.
- Send the passing certificate and mechanic's lien waivers to the purchase reviewer.