

Escrow Holdback Policy

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SECTION 01

Introduction

1.1 Overview

It is the policy of Corva Lending to require the completion of property repairs or improvements before loan closing. However, weather-related conditions in certain areas may make it necessary to close a loan before required repairs are complete. In those instances, Corva Lending may allow a repair escrow to be established, subject to the guidelines in this policy.

NO EXCEPTIONS

Under no circumstances will a loan be allowed to close if the incomplete repairs compromise the livability, safety or structural integrity of the property, or hinder the ability to obtain a Certificate of Occupancy for new or proposed construction.

SECTION 02

Escrow Holdback Process

2.1 Escrow Establishment and Approval Process

This process covers the required documentation and conditions for approving a repair escrow. It ensures escrow holdbacks are managed in compliance with Corva Lending guidelines and that necessary repairs are completed before loan funding.

The repair escrow must be approved by Corva Lending **in writing before a Clear to Close is issued**. The escrow is limited to exterior repairs and/or improvements that could not be completed before closing due to weather-related delays. The following documentation must be provided to obtain approval:

- ▲ Appraiser's itemization of the work to be completed.
- ▲ Two (2) bids from acceptable third parties detailing the repair costs. Identity of interest or conflicts of interest between a contractor and other parties to the transaction are prohibited. Acceptable third parties include:
 - ▲ A contractor/painter providing an estimate
 - ▲ An independent contractor performing the necessary services
 - ▲ A representative of a home improvement store
- ▲ Estimated completion date.
- ▲ The party responsible for providing escrow funds (borrower or seller).

Additional Conditions

- ▲ The Title Company or Closing Agent must agree to hold the escrowed funds. Corva Lending will not hold the funds.
- ▲ If the contract shows the borrower is financially responsible for the repairs, the source of funds must be documented according to assets/funds documentation guidelines.
- ▲ All loans with escrow holdbacks are restricted to corporate underwriting and must be closed by the corporate closing team.

2.2 Escrow Holdback Agreement

- ▲ Corva Lending will condition for a fully executed Escrow Holdback Agreement, which must be obtained **before funding**.
- ▲ Corva Lending will provide the completed Escrow Holdback Agreement with the closing package.
- ▲ The Title Company or Closing Agent must agree to hold the escrowed funds. Corva Lending will not hold them.

2.3 Escrow Amount

The escrow amount for repairs is capped at \$5,000, and escrowed funds must cover a percentage of the estimated repair costs based on the loan program.

MAXIMUM ESCROW AMOUNT

\$5,000

INCLUDES

Total repair costs + Certificate of Completion fee

Total Repair Costs — escrowed funds must equal:

LOAN PROGRAM	ESCROWED FUNDS REQUIRED
FHA and USDA	100% of estimated repair costs
Conventional and Non-QM	120% of estimated repair costs
VA	150% of estimated repair costs

2.4 Excess or Inadequate Funds

- ▲ After repairs are completed, any unused escrow repair funds will be refunded to the party that provided the funds.
- ▲ If escrow funds are insufficient to cover the required repairs, Corva Lending will require the borrower to deposit additional funds to complete the repairs and/or improvements.

2.5 Release of Funds

Once repairs are completed and Corva Lending has received evidence of completion, **only Corva Lending** is authorized to instruct the title company to release the escrow funds to the party that provided them. The Title Company or Closing Agent will not release the funds without this authorization.

SECTION 03

Repair Requirements

3.1 Eligible Repairs

Exterior repairs and improvements eligible for escrow holdbacks under Corva Lending's policy must be minor in nature and must not impact the property's livability or safety.

- ▲ Exterior paint
- ▲ Fencing
- ▲ Final grade
- ▲ Gutters
- ▲ Landscaping
- ▲ Lawn seeding
- ▲ Patio/Porch
- ▲ Pest treatment
- ▲ Sod
- ▲ Sprinklers
- ▲ Walkways
- ▲ Deck
- ▲ Driveway

3.2 Ineligible Repairs

Repairs that affect the property's livability, safety or structural integrity, or that involve significant remediation, are not eligible for escrow holdbacks. These include issues requiring major repairs or unresolved hazards.

- ▲ Structural items
- ▲ Unfinished additions or renovations
- ▲ Non-functional well or septic system
- ▲ Major foundation cracks
- ▲ Extensive water damage
- ▲ Unrepaired termite damage
- ▲ Missing or damaged HVAC systems
- ▲ Unresolved environmental hazards

3.3 Completion Term

Documentation of completed repairs/improvements must be submitted to Corva Lending:

SUBMIT TO

EscrowHoldback@CorvaLending.com

DEADLINE

Within 30 days of the Note date

3.4 Evidence of Completion

The appraiser must perform a final inspection and complete the Certificate of Completion (Appraisal Update and/or Completion Report — Fannie Mae Form 1004D / Freddie Mac Form 442), verifying the improvements were completed according to the original appraisal's requirements and conditions. The Certificate of Completion must:

- ▲ Be completed by the appraiser.
- ▲ State that the improvements were completed in accordance with the requirements and conditions of the original appraisal.

3.5 Failure to Complete Repairs

If the repairs are not completed within the required completion term, Corva Lending reserves the right to call the Note due.

SECTION 04

Property and Loan Requirements

4.1 Title Insurance

Title insurance requirements ensure the title policy is unaffected by the escrow arrangement and that no exceptions are made for postponed improvements or the escrow agreement.

- ▲ Title insurance may not be adversely affected by the escrow holdback.
- ▲ The final title policy may not:
 - ▲ Reflect any outstanding mechanic's liens,
 - ▲ Take exceptions to the postponed improvements, or
 - ▲ Take exceptions to the escrow agreement.

4.2 Ineligible Property Types

Corva Lending does not allow escrow holdbacks on **manufactured homes** or **Co-Op properties**. Any loan involving a manufactured home or Co-Op is ineligible for an escrow holdback, regardless of repair type or completion status.

4.3 Loan Programs and Loan Types

Eligible and ineligible loan programs and transaction types for escrow holdbacks, based on program-specific guidelines:

ELIGIBLE	INELIGIBLE
Conventional (Fannie Mae and Freddie Mac)	Jumbo AUS
Government (FHA, VA, USDA)	HUD REO (203(k)) and Energy Efficient Mortgages (EEM)
Non-QM	Non-Delegated loans
Purchase transactions	Refinance transactions