



Repairs and Mechanic's Liens

Mechanic's Liens

It has come to UFA's attention that some borrowers are being referred to nationwide contracting companies that coordinate repairs through other contractors and are paid through HECM proceeds. In some instances, these repairs result in a Mechanic's Lien that is placed against the property – in most cases prior to an underwriter's review of the file. Originators are urged to be on alert for borrowers that will be completing repairs to the property to ensure that they are completing only FHA required repairs and are being charged reasonable and customary rates for work performed. Referral to nationwide contracting companies is strongly discouraged.

Additionally, UFA has established the below requirements for mechanic's liens or repair invoices that will be paid off through HECM proceeds.

- Nationwide contracting services that coordinate repairs to be made by other contractors are restricted unless prior approval is received by UFA.
- Repairs paid through HECM closing must be identified by the appraiser as FHA required repairs. Upgrades to the property or other non-required FHA repairs cannot be paid through HECM proceeds as a mandatory obligation.
- Repairs charged to the borrower must be charged at a rate that is common and customary for the market area.

Implementation

These requirements are effective immediately for all new submissions and pipeline loans for all loan channels.

For more information, please contact your Account Executive.

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