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eNews Headline: Do We Disclose Amounts for Required Repairs?

Question: We have a loan application for the purchase of a home. The appraisal noted repairs that needed to be made and that we will require to be completed before making the loan. Do we have to disclose those repair costs?

Answer: Several factors come into play here including when the repairs are paid for and who pays for the repairs. Remember that TRID requires fees and charges paid before or at loan origination and as a condition of the credit to be disclosed. TRID 2.0 did make some exceptions to those two fundamental conditions for post-consummation inspection and handling fees, but that would not apply to costs for the repairs themselves collected and paid after closing.

Repairs that are a requirement of the loan (imposed by the lender) and completed before the loan is made must be disclosed. In other words, those charges are paid or collected before closing. Those costs would be disclosed on the Closing Disclosure in Section B or C as applicable. If the seller paid for those repairs, the cost can be offset with a specific seller credit.

If the cost of the lender required repairs are collected at or before closing (from either the borrower or the seller) and held in escrow for repairs to be completed after closing would also have to be disclosed. Refer to the CFPB Construction Loan webinar for the intricacies of disclosing those 'holdbacks.'

It will be either a Section B or C charge depending on whether the lender allows the consumer to shop. Remember, if lender puts it in Section C, then the lender will have to add the repair shop to their providers list. Either way, the lender will have to come up with an estimate of the costs.

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