



Construction Draw Process Guide

Whether you're an experienced rehabber or completing your first fix & flip, understanding how your construction holdback works is important to help you complete your project quickly and cost-effectively. This guide will help you understand our basic holdback policies to get your project on its way.

Disclaimer

The policies discussed in this guide are for general reference and aid in explanation only, and may not reflect the policies, requirements, or conditions under your loan. Please consult your loan documents for details about the policies, requirements, or conditions that apply to your specific loan.

HOLDBACK BASICS

Build First. All construction costs are funded in arrears, reimbursing you only for the percentage of work completed on your project at the time of the draw inspection. Disbursements do not cover work that has not been performed, or materials that have been paid for and are on site but have not been installed.

Turn Time. Average turnaround time from initial request to funding takes about 5-7 business days. This can be expedited based on your availability for inspection and prompt submission of completed documentation.

Inspection Process. Upon notification of draw request, a draw inspection is ordered through a third party service provider with a nationwide fee panel of inspectors. Within 1-2 business days, an assigned inspector is expected to contact borrower or designated Point of Contact to set a site inspection appointment. Within 24 to 48 business hours after site visit, Elite expects to receive the inspection results.

Draw Fees. For each draw, there is an inspection fee and a wire fee. These fees are withheld from your draw amount.

Borrower Only. We do not disburse funds directly to the contractor. We send funds to the borrower only. It is your responsibility to pay your contractors and obtain lien waivers for paid funds.

Flexibility. We can be flexible to meet your needs for each draw. While we maintain adherence to the formula example below, requested draw amounts can vary slightly depending on actual timelines and unforeseen circumstances. However, the total amount of your construction holdback is concrete and cannot be increased.

If the scope of the project changes during the course of the rehab process, you must let us know.

The inspection company is given the original appraisal and your construction rehab budget. When the assigned inspector visits the property, they assess each line item on your budget. The assessment and photos are submitted to our third party service provider for a quality control review and report preparation, resulting in a completion percentage as of the time of inspection.

In general, your approved draw amount is then determined by the following formula:

A. When the rehab budget is equal to the hold back:

(Total Holdback x Overall Percentage Complete) - Draws Taken to Date = Draw Amount - Fees = Net Wire

(\$39,000 x 94%) = \$36,800 - \$15,000 = \$21,800 - \$230 = \$21,570 Net Wire to Borrower

Below is a very basic example of a draw budget with inspection results:

Work Item	Description (Scope of Work)	Budget	% Completed	
Plumbing	CHECKING SOME OF THE PIPES AND REPLACING	\$3,000	100%	\$3,000
Electrical	CHECKING THE WIRES AND REPLACE AS NECESSARY	\$2,500	100%	\$2,500
HVAC/Mechanicals	ADDING NEW HVAC SYSTEM TO THE COMPLEX/FOUR-PLEX	\$8,000	100%	\$8,000
Roof	ROOF TO BE CHECKED AND REPAIRED AS NECESSARY	\$1,000	100%	\$1,000
Kitchen	LAMINATE FLOORING	\$1,500	100%	\$1,500
Kitchen	NEW CABINETS - Maple	\$4,000	100%	\$4,000
Kitchen	NEW COUNTERTOPS - Granite	\$2,000	100%	\$2,000
Kitchen	NEW FIXTURES - Brushed Nickle	\$1,000	70%	\$700
Kitchen	NEW APPLIANCES EACH UNIT - Stainless Steel	\$4,000	75%	\$3,000
Living Room	NEW CARPETING	\$1,500	100%	\$1,500
Bedrooms	NEW CARPETING IN ALL BEDROOMS OF EACH UNIT	\$1,500	80%	\$1,200
Master Bathroom	NEW VANITIES, TOILETS, ADN FIXTURES	\$2,000	80%	\$1,600
Bathrooms	NEW VANITIES, TOILETS, ADN FIXTURES	\$1,000	80%	\$800
Windows	REPAIRING THE BROKEN WINDOWS	\$2,000	100%	\$2,000
Misc.	MOLD REMEDIATION	\$3,000	100%	\$3,000
Interior	REPAIRING HOLES IN WALLS AND ANY MISC ISSUES	\$1,000	100%	\$1,000
		\$39,000	94%	\$36,800

B. When the budget exceeds the hold back: The above formula applies after the borrower has contributed the difference between the budget and the holdback.

HOW TO REQUEST A DRAW

When you are ready for funds, the request process is easy!

Step 1: 3-5 business days prior to the date you wish to have the inspector visit the property simply

email or fax your request for inspection: Draws@EliteCommercialServicing.com

FAX 860-760-6922

Step 2: Attach the following as applicable:

- a. Completed Draw Request-Wire Form.
- b. Signed Contractor Lien Waivers.

Hold on to your invoices, paid receipts, and photos; **do not send these items unless we requests them.**

Upon receipt of a draw request, Elite will contact our third party service provider who assigns an inspector to the project. The inspector will call you (or your designated contact) directly to arrange the appointment. Let us know whether you have a preferred inspection date and we will pass this information on to the assigned inspector.

On average, the inspector will contact you within 1-2 business days from your inspection request to arrange the inspection appointment. From the date of inspection, Elite typically receives the inspection report within the next 1-2 business days.

Once we have received and reviewed the inspection report and all completed documentation, the funds will be transferred to your account within 1-2 business days. Please note that wire transfers occur only on business days.

Questions? If at any time you have questions, please contact your loan officer

or Loan Servicing at (860) 432-2549

Email: Draws@EliteCommercialServicing.com