



**ELITE**  
Commercial Servicing

**ALL CONSTRUCTION  
DRAW PROCESS GUIDE**



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# ALL 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.*

## Requirements

- + Current/Active Insurance Policy Declarations Page or Evidence of Insurance Document  
*Binders expire 30 days after the effective date; will require an updated (full) policy.*
- + Active Permits  
*Hold on to your **invoices, paid receipts** (GUC at \$10,000 at up required), and photos; do not send these items unless we request them. Active permits are required prior to the 1st draw request; Scans, copies, or clear and legible photos are acceptable.*
- + Current Taxes  
*All taxes must be paid current before funds can be released*
- + Failure to provide proper permits and lien waiver documentation may delay the receipt of draw funds.

## HOLDBACK BASICS

### Permits/Plans/Fees

All Hard costs must have permits provided prior to the release of funds. ECS Requires proof that the project has received the required permits and approved plans stamped by the city prior to funding construction draws. Soft costs, such as Plans/Architect fees, third-party contractor fees and city/county inspection fees can be reimbursed upon approval of provided receipts and invoices. ECS requires the collection of invoices from the general contractor, sub-contractors and suppliers that are owed more than \$10,000 on the current draw. See title/date downs.

### Items Not Allowed

There is no reimbursement with 12 months plus loans for onsite facilities e.g. toilets, and no payment of utilities, taxes or insurance within the budget or with draw funds to be disbursed (included in GUC loans).

### Build First

During the process, most 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(s). 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.



## Draw Fees

For each draw there will be an inspection fee as well as a bank wire fee. These fees will be withheld from your draw amount. For any draw over \$75,000 or \$100,000 aggregate, a title search will be needed and the title search fee will also be withheld from the draw amount. If a title date down or update is required by your title company; additional fees may apply. A \$50 revision fee will be assessed on the 3rd budget revision for each project after prior disbursements have been made.

## Title/Date Downs

ECS requires title date downs if the collection of invoices for the GC, sub-contractors, or suppliers EXCEEDS \$1,000.00. Title date downs may also be required by your lender on any individual draw over \$75K, or once your draws reach an aggregate of \$100K or more.

## Borrower Only

We do not disburse funds directly to the contractor or other parties. We send funds to the borrower via wire transfer to an account in the name of the borrowing LLC, or other account documented to belong to all guarantors. It is your responsibility to pay your contractors and obtain lien waivers for paid funds.

## Lien Waivers

ECS requires lien waivers be submitted as part of the required documentation; prior to draws funds being released on and draw over \$75K, or once your draws reach an aggregate total of \$100K or more. We strongly suggest you obtain lien waivers from your contractors at the time you issue them payments. Lien waivers protect you, your property, and your title from claims of non-payment by your contractors.

## Turn Time

Average turnaround time for fix and flip loans from initial request to funding takes about 5-10 business days. Ground-Up Construction can take about 5-14 business days. This can be expedited based on your availability for inspection and prompt submission of completed documentation. If your title company requires a title date down or title update or requires that draw funds be sent to them for further disbursement, inspections can be delayed an additional 7-14 business days.

## Inspection Process

Upon notification of draw request and receipt of Draw Wire Request and lien waivers, following internal budget review and formatting to meet inspection vendor requirements, a draw inspection is ordered through a third-party service provider with a nationwide fee panel of inspectors. You may be contacted for budget clarifications to assist in obtaining the best possible inspection result. Your ability to promptly assist your specialist before this first draw can assure a speedier draw process.



Within 72 hours, an assigned inspector is expected to contact borrower or designated Point of Contact to set a site inspection appointment. (It is highly suggested that you accompany the inspector through the property, either in person or by phone, to assure the inspector takes note of all draw items for which you are seeking reimbursement. If, due to social distancing, the inspector does not wish to be accompanied through the property, you should request a review of findings with the inspector before they leave the property so they may obtain additional photos if needed.)

Within 48 to 72 business hours after site visit, Elite expects to receive the inspection results. 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.

***If the scope of the project changes during the course of the rehab process, you must let us know.*** Failure to update changes in your scope of work can contribute to less satisfactory inspection results. Also note that ***major*** changes in your scope of work or budgeted line-item amounts may require your Lender's approval, which can take 5-7 business days.

Revisions requested on the scope of work after an inspection has already been completed, a revision fee of \$50 may apply.

### Contingency Funds

If you need all or part of your contingency funds released, please notify your draw specialist at the time you request your draw inspection, in order to avoid delays in funding. All revision requests after inspection has been completed to include contingency funds, can take additional 24 hours for receipt of revised report.

### Flexibility

We can be flexible to meet your needs for each draw. 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.

### Final Draw

Prior to the final draw request, the borrower must provide evidence of an updated insurance policy and a Certificate of Occupancy on Ground-Up Construction Loans.

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## 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 our website to access our DocuSign Forms: <https://www.elitecommercialservicing.com/#forms> or email [draws@elitecommercialservicing.com](mailto:draws@elitecommercialservicing.com)

**Step 2:** Attach the following as applicable:

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

### Lien Waiver Instructions:

The four blanks to be filled in on the top portion of the waiver document are:

- + The amount of the waiver.
- + The date through which work has been completed so far that is covered by the amount of this waiver.
- + The name of the customer who received the services of work done on the property—this is the name of the borrowers LLC (not a persons name, but the name of the business entity).
- + The address of the property upon which the work was completed.

The two statements directly above the signature section will help you determine the person who should sign the Lien Waiver form. If statement 1 is true, the Guarantor may initial the statement and sign the form. If statement 1 is not true, then the Contractor should initial statement 2 and sign the Lien Waver form.

- c. Current/Active Insurance Policy Declarations Page or Evidence of Insurance Document
- d. Active Permits  
*Hold on to your invoices, paid receipts, and photos; do not send these items unless we request them. Active permits are required prior to the 1st draw request; Scans, copies, or clear and legible photos are acceptable.*
- e. (CLA) Construction Advance Form (GUC Only)
- f. Unconditional Releases/Proof of Payment (GUC Only)

Upon receipt of a draw request and required documents, 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.

Once we have received and reviewed the inspection report and all completed documentation, the funds will be transferred to your account within 2-5 business days; account must match business name or guarantor(s). Please note that wire transfers occur only on business days; typically end of business day.