



New England's Premier Private Real Estate Lender

EMCAP's CONSTRUCTION BUDGET REVIEW & DRAW PROCESS

BORROWER PRE-CLOSING BUDGET REVIEW PROCESS:

1. Construction Budget: Borrower to supply a detailed construction budget at time of loan request/application. Loan is approved based on the total budget amount provided.
2. Inspection/Budget Review: Once loan is approved/committed and deposit is received, the EMCAP 3rd party construction inspector is immediately engaged to:
 - a. Visit the property and meet with the borrower.
 - b. Review the scope and specs of construction as approved vs the existing condition of the property/improvements.
 - c. Inspector reviews & approves supplied budget. The inspector may determine that more detail/line items may be required, or certain amounts may be inadequate and reallocated. The inspector will work with borrower to breakout necessary line items using EMCAP's budget template if needed. As an example, the borrower might supply a budget with a single line item for plumbing. The inspector may require the line item to be broken out between rough and finish plumbing, which in total equal the same amount. More detail provides the borrower with more flexibility and less subjectivity in terms of amounts approved by the inspector as work is completed.
 - d. If the inspector determines that the approved budget amount in total is inadequate for the scope/specs of construction, the loan will need to be restructured and reapproved. This could mean an increase in the loan or an increase in the borrower's investment in the project to make up the difference.
 - e. Borrower to pay for the cost of said inspection at closing (\$395) on the settlement statement.

INSPECTION PROCESS:

1. Borrower engages inspector directly to schedule a day/time for said inspection (24-48 hour is usual turn-around time, unless otherwise specified by inspector).
2. Inspection Cost: Inspections are paid for by the borrower and the costs vary depending on the type of property. The standard cost is \$200 per inspection. However, multi-unit properties or commercial properties can cost as much as \$400. The inspection charges will be net funded from the approved advance amount and paid directly to the 3rd party inspector by EMCAP.
3. Number of inspections: The borrower may request as many inspections as needed as long as the amount requested is greater than \$1,000.
4. Renovation Loans: Construction funds will be advanced as a % of the work complete based on individual line items according to the approved construction budget. If the inspector determines that only 75% of the work has been done for a particular line item in question, EMCAP will only fund 75% and the remaining 25% will be heldback and funded on the next inspection when 100% of the work is completed. No advances will be

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made for deposits or for materials not affixed to and part of the improvements to the Property. With the exception of soft costs, every disbursement request requires an inspection.

5. **New Construction**: Construction funds will be advanced based on work complete and invoice support for requested amounts above \$500 according to the approved budget. No advances will be made for deposits or for materials not affixed to and part of the improvements to the Property. Any line item with funds leftover will be applied to contingency. Invoices will be supplied to EMCAP's Loan Administrator and reconciled with the Inspector based on their review of work complete.
6. **Lien Waivers**: Lien waivers may be required depending on the draw amount requested as relates to one or more contractors involved in the work completed. Lien Waiver forms will be provided if necessary and collected by the inspector or Loan Administrator prior to funding.
7. **Contingency**: Borrower may access the contingency as needed. EMCAP will fund from the contingency based on the overall completion % of the project. For example, if the project is 50% complete, the borrower will have the ability to access 50% of the contingency if needed.
8. **Final Draw** – An appropriate amount, as determined by the inspector, will be held back until the project is 100% complete or upon receipt of CO if applicable. Typically, this amount is \$5,000 and it is used to cover punch list items or unforeseen municipal inspection issues.

EMCAP FUNDING REQUIREMENTS:

1. **Inspection Report**: Inspector sends report to EMCAP Loan Administrator (budget, pics, amounts to be disbursed) usually the same day as the inspection.
2. **Title Update**: Title update is requested from the closing attorney when an inspection is requested (usually received within 24 hours of request) to ensure no mechanics liens or new mortgages have been recorded on the property.
3. **Wire**: Wire is approved and released to borrower's specified account within 48hrs of receiving 1 & 2.

EMCAP prides itself on the transparency and efficiency of our construction loan program. If you have any questions, please call your Loan Officer at 1-833-56EMCAP.