



## 203(k) DRAW PROCEDURE

1. Pursuant to the Rehabilitation Loan Agreement executed at closing, work must begin within thirty days of closing, not stop for more than thirty days and be completed within six months of closing or earlier depending on the scope of work. If there are extenuating circumstances preventing this, please contact us immediately. Requests for extensions should be in writing on the Change Order Request Form. (see attached).
2. If permits are required (depending on the type of work to be completed), copies of the permits must be sent to the Draw Administrator **prior** to the release of funds on the first draw.
3. Funds can only be released **after** some work has been completed. There are no start-up funds. Funds can be dispersed in percentages of line items—you can request draw releases with work partially completed.
4. There will be a mandatory **10% holdback** on each check issued until all work has been completed and the necessary certifications (Certificate of Occupancy, fire underwriters, etc.) have been received.
5. If funds have been worked into your loan for engineer, architect, permit fees, etc., please provide your Draw Administrator with paid receipts and you will be reimbursed accordingly.
6. When you need an inspection, please contact the inspector listed on your Welcome Letter to coordinate an inspection with you, your contractor and the inspector.
7. **Please call your Draw Administrator when you have scheduled a date, so that the title update can be ordered effective the inspection date.** Title updates may take several days depending on your title company—this may delay the processing of your check. If the title update reveals problems, you will be advised. It will be your responsibility to resolve any title issues. If the appointment is canceled, contact us immediately so that we can prevent incurring a title update fee needlessly. By advising us of the inspection date, we will be alerted to look for the inspection report.
8. It is important that you, your contractor and inspector be present at the inspection to assure that all parties are in agreement. The Draw Request Form must be signed by all three parties before we can issue a check. This form should be emailed to your Draw Administrator.
9. Checks are to be made payable to all of the borrowers on the mortgage **and** contractor. It will take approximately 5-7 business days from the receipt of the fully executed Draw Request, Lien Waiver/Release and Clear Title Update to process the check. Please remember that the 10% holdback will be deducted from the check. **If the check is to be mailed to a location other than the subject property, please notify your Draw Administrator.** We will make every effort to expedite delivery of the check to you. Your checks will be mailed to you and you will receive an email with a tracking number for your package.
10. **Change Order Requests:** Any changes involving the rehabilitation work or parties involved in the transaction require prior approval by Advisors Mortgage Group, LLC submitted in the form of a formal Change Order Request (Exhibit 1) ex: change of contractor, cost overruns, additional work, different materials, etc. This form must be signed by the same parties who need to sign the Draw Request and must be approved by Advisors. **Work items must be related to health and safety requirements in order for contingency funds to be disbursed in the middle of the rehabilitation stage or prior to completion of all required repairs per Specification of Repairs.** After all of the original work items have been completed and funds remain available, the Change Order is used as described below during Final Release.
11. A set amount of funds has been reserved to pay for inspection and title update fees. If you require additional inspections, you will be responsible for the additional fees.
12. **Final Draw:** When all of the work is completed according to the approved architectural exhibits and change orders, a final inspection and title update will be ordered. Before the final funds are released, please contact your Draw Administrator to discuss how any unused funds are to be used. If additional work is permitted under the specific program, a Change Order Request should be completed and inspected. If the funds are to be returned to you (**only if it was paid in cash at closing**) or used to pay down principal, **this must be determined before the final release.** You will be sent the Mortgagor's Letter of Completion to sign and return before we can release the final funds (Exhibit 2). The Draw Requests, Lien Release/Waiver,

Waiver, Change Orders and Mortgagor's Letter of Completion signed by all parties, the final title update, Certificate of Occupancy (if applicable) and any sign offs or certifications from your municipality (if applicable) must be provided before the final check is processed. If the Certificate of Occupancy is not available at the time of the final release, the 10% holdback cannot be released.

**13. You cannot request additional work items or change the manner of resolution of the various funds once the account has been closed.**

Borrower Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Borrower Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Borrower Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Contractor Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Exhibit 1:

BORROWER'S LETTER OF COMPLETION

To: Lender

RE: FHA Case Number: \_\_\_\_\_

Lender's Loan Number: \_\_\_\_\_

Property Address: \_\_\_\_\_

\_\_\_\_\_

The rehabilitation construction and/or improvements to the above mentioned property, as outlined in the Rehabilitation Loan Agreement (including Architectural Exhibits), have been completed in a workmanlike manner to my/our satisfaction.

I/We request that the Final Inspection by the HUD approved inspector and the Final release of funds from the Rehabilitation Escrow Account be made to me/us after you receive an acceptable Final Compliance Inspection Report.

I/We understand that you, the lender, if required to protect the priority of the Security Instrument, may retain any "Holdback" reserve funds for a period of not more than thirty five (35) days or a longer time period allowable by state laws to ensure against any liens resulting from the Rehabilitation work done at the subject property. However, at the earliest possible date, I/we request any such funds be released as appropriate.

This request also directs you to properly distribute the funds remaining in the Rehabilitation Escrow Account that represent the balance of the Contingency Reserve, Mortgage Payment Reserve and inspection fees and other miscellaneous fees that were not used.

\_\_\_\_\_  
Borrower(s) Signature

\_\_\_\_\_  
Date

# Request for Acceptance of Changes in Approved Drawings and Specifications

U.S. Department of Housing and Urban Development  
Office of Housing  
Federal Housing Commissioner

OMB Approval No. 2502-0117  
(exp. 04/30/2019)

**See Instructions and Conditions on Page 2.**

**Public reporting burden** for this collection of information is estimated to average 30 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This information is required to obtain benefits and mandatory. HUD may not collect this information, and you are not required to complete this form unless it displays a currently valid OMB control number.

Section 203(b)(7) of the National Housing Act authorizes the Secretary of the Department of Housing and Urban Development to use his/her discretion with respect to the handling of insurance, repairs, and alternations. Builders who request changes to HUD's accepted drawings and specifications for proposed constructions properties as required by homebuyers, or determined by the builder use the information collection. The lender reviews the changes and amends the approved exhibits. These changes may affect the value shown on the HUD commitment. While no assurances of confidentiality are pledged to respondents, HUD generally discloses this data only in response to a Freedom of Information request.

Property Address	Case(s) No.	Request No.
Mortgagee's Name & Address	We request acceptance of the following changes in the approved drawings and specifications of the above numbered case or cases. <b>We Request</b> <input type="checkbox"/> <b>We Do Not Request</b> <input type="checkbox"/> an increase in the value and loan amounts if these changes warrant such an increase.	

Description:	Builder's Estimate of cost on each change	HUD/VA Estimate of effect on cost of each change

Borrower (If known)	Date
Builder or Sponsor	Date
For Mortgagee	Date

Determination as to Acceptability

Changes Acceptable     
  Changes Unacceptable     
  Changes Acceptable, provided (list any conditions)

**Endorsement to Notice of Value** (for VA use only)

This endorsement takes precedence over and specifically amends the outstanding NOV for the property with the above identifying number. Any condition stated on the outstanding NOV, not specifically referred to and modified herein, remains in full force and effect until expiration of the validity period. Established reasonable value revised to \$

<input type="checkbox"/> Department of Veterans Affairs <input type="checkbox"/> Federal Housing Commissioner	Authorized Agent	DE <input type="checkbox"/>	I.D. Number	Date
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Previous edition may be used until supply is exhausted