



## 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. 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, NC 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. **The bank account must be in the same name as the borrowing entity, no exceptions.**

**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 inspection ultimately results 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

(\$180,000 x 45%) = \$76,828.05 - \$ 15,000 = \$61,828.05 - \$250 = \$61,578.05 Net Wire to Borrower

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

Description	Renovation Budget	% Complete Per Inspection	Available for Disbursement
Structural - Roof	\$ 19,480.52	100%	\$19,480.52
Structural - Framing	\$ 19,480.52	5%	\$974.03
Structural - Siding	\$ 14,025.97	0%	\$0.00
Electrical - Wiring	\$ 18,701.30	15%	\$2,805.19
Plumbing - Other	\$ 46,753.25	70%	\$32,727.27
Paint - Exterior	\$ 4,675.32	10%	\$467.53
Flooring - Tile	\$ 4,675.32	0%	\$0.00
Kitchen - Cabinets	\$ 2,337.66	0%	\$0.00
Kitchen - Countertops	\$ 2,337.66	0%	\$0.00
Kitchen - Appliances	\$ 3,896.10	5%	\$194.81
Bathrooms - Countertops	\$ 1,636.36	4%	\$65.45
Bathrooms - Toilets	\$ 701.30	7%	\$49.09
Bathrooms - Shower Glass	\$ 1,636.36	9%	\$147.27
Bathrooms - Other	\$ 701.30	90%	\$631.17
Windows - New	\$ 9,740.26	45%	\$4,383.12
Doors - Exterior	\$ 9,740.26	19%	\$1,850.65
Porches	\$ 19,480.52	67%	\$13,051.95
<b>Total:</b>	<b>\$ 180,000.00</b>	<b>45%</b>	<b>\$76,828.05</b>

B. When the budget exceeds the hold back: The above formula applies after the overall budget is allocated to the approved holdback amount.

Description	Renovation Budget	% of Total Budget	Approved Construction Loan Line Items	% Complete Per Inspection	Available for Disbursement
Structural - Roof	\$ 27,000.00	19.46%	\$ 24,324.32	100%	\$24,324.32
Structural - Framing	\$ 16,000.00	11.53%	\$ 14,414.41	5%	\$720.72
Structural - Siding	\$ 35,000.00	25.23%	\$ 31,531.53	0%	\$0.00
Electrical - Wiring	\$ 5,000.00	3.60%	\$ 4,504.50	15%	\$675.68
Plumbing - Other	\$ 5,000.00	3.60%	\$ 4,504.50	70%	\$3,153.15
Paint - Exterior	\$ 3,500.00	2.52%	\$ 3,153.15	10%	\$315.32
Flooring - Tile	\$ 1,500.00	1.08%	\$ 1,351.35	0%	\$0.00
Kitchen - Cabinets	\$ 2,000.00	1.44%	\$ 1,801.80	0%	\$0.00
Kitchen - Countertops	\$ 2,500.00	1.80%	\$ 2,252.25	0%	\$0.00
Kitchen - Appliances	\$ 3,400.00	2.45%	\$ 3,063.06	5%	\$153.15
Bathrooms - Countertops	\$ 1,700.00	1.23%	\$ 1,531.53	4%	\$61.26
Bathrooms - Toilets	\$ 600.00	0.43%	\$ 540.54	7%	\$37.84
Bathrooms - Shower Glass	\$ 1,200.00	0.86%	\$ 1,081.08	9%	\$97.30
Bathrooms - Other	\$ 750.00	0.54%	\$ 675.68	90%	\$608.11
Windows - New	\$ 9,800.00	7.06%	\$ 8,828.83	45%	\$3,972.97
Doors - Exterior	\$ 9,800.00	7.06%	\$ 8,828.83	19%	\$1,677.48
Porches	\$ 14,000.00	10.09%	\$ 12,612.61	67%	\$8,450.45
<b>Total:</b>	<b>\$ 138,750.00</b>		<b>\$ 125,000.00</b>	<b>45%</b>	<b>\$44,247.75</b>

## 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 complete our online draw request form:

[Norfolk Capital Draw Request Form](#)

### **Step 2: Attach photos or other relevant documents to the form**

Upon receipt of a draw request, Norfolk Capital will assign an inspector. 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, Norfolk Capital 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 (617) 718-5363

Email: [Draws@NorfolkCapital.com](mailto:Draws@NorfolkCapital.com)