

How Does the Contractor Get Paid?



HERE ARE THE STEPS:

- 1.** The renovation may start once the mortgage loan closes/funds. Please note copies of the permit(s) should be forwarded to the draw center/Disbursement Analyst. Copies of the permit(s) are required along with the draw documents for the 1st draw to be processed. No draws will be released until proof of permits has been received.
- 2.** EHL's Renovation Disbursement department will send a welcome email within 48hrs of the closing/funding date to both the borrower and the contractor that provides a brief summary of the draw process and assigned Disbursement Analyst's contact info.
- 3.** The contractor and the borrower will need to work together to ensure that all permits and any other city/county requirements are in place and met before the renovation begins.
- 4.** The assigned Disbursement Analyst will follow up 10 days prior to the estimated completion date with both the borrower and the contractor, if a final inspection has not been ordered. Also, the assigned Disbursement Analyst will follow up with both the borrower and the contractor, if the renovation has not started within 30 days of the closing/funding date.
- 5.** The contractor is to provide draw documents when he/she is ready for a draw for the assigned Disbursement Analyst to order a progress inspection, depending on the type of holdback. We assumed the requested draw amount is in line with the overall completion. The Disbursement Analyst will review and calculate the max amount that can be disbursed to approve the requested draw amount. This scenario applies to Fannie Mae HomeStyle.® All other Holdbacks except 203k Standard receives either 1 or 2 draws. The HUD consultant will be the responsible party to receive draw requests, complete inspections, and complete/submit draw documents to the assigned Disbursement Analyst for disbursements to be processed.

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- 6.** All inspections are ordered through EHL's 3rd party inspection company. The inspector will be assigned with the 1st inspection order and will complete all progress inspections (and final inspections, if it is 203k Limited or Fannie Mae HomeStyle®). The inspector will receive notification from the inspection company to contact the contractor and/or the borrower to inspect the property. The inspector will take photos of the renovation work and submit his/her photos to inspection company for the progress inspection report to be updated and sent to the assigned Disbursement Analyst. Please note it is very important to submit change orders when a draw is requested, if additional work has been completed. Also, repair items cannot be removed off the bid, unless approved by the appraiser. EHL's Renovation Department has connected with Home Depot to provide an outlet for our customers so they will have a well established contractor provide a bid. Contact your loan officer for more information.
- 7.** The assigned Disbursement Analyst will receive the progress inspection report from the inspection company via email. He/she will review, calculate, and process the disbursement to the contractor within 24hrs of receiving the inspection report. Please note the draw documents and permits are to be submitted to the assigned Disbursement Analyst prior to the progress inspection order being placed. This helps avoid delays when processing the disbursement.
- 8.** Repeat numbers 5, 6, and 7 for subsequent disbursements, until the renovation is complete.
- 9.** The borrower and the contractor are to complete and submit the final draw documents, including the Letter of Completion to the assigned Disbursement Analyst for the final inspection and title date-down to be ordered except on 203k Standard Holdbacks. The assigned Disbursement Analyst will process the final disbursement within 24hrs of receiving the report. Please note a clear (100%) final inspection report and title date-down with no liens are needed to process the final disbursement and close out escrow. No other work can be completed while the renovation is being done. If so, it will cause the final to be incomplete and the final disbursement will not be processed, until the work is done and a clear (100%) final inspection is received. The borrower and the contractor will need to reach out to the HUD consultant for the final inspection and the final draw documents to be completed and submitted to the assigned Disbursement Analyst for processing on 203k Standard Holdbacks.
- 10.** The inspector/appraiser or HUD consultant will complete a final inspection report and send to the assigned Disbursement Analyst via email for it to be reviewed and process the final disbursement and include the retainage that was held with progress draws, if it is 203k Standard.

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