



CONSTRUCTION COST MANAGEMENT

CFS has been providing interim construction loans for over 20 years, and from our experience and expertise, we advise homeowners who have the cash to build their home to utilize a Construction Cost Management firm to handle the payments associated with construction.

There are so many components to construction; organizing the invoices, receipts, lien releases and payments can become overwhelming. Supporting documentation for payments is essential to avoid fraudulent subcontractor and vendor claims/liens against the property.

Having a Construction Cost Management Plan in place allows the homeowner to have clear and concise records of every dime spent on construction, and supports the documents required by a permanent lender in the event a mortgage is put into place at a later time.

The fees incurred with this service include \$100 per informal inspection for labor draws, \$30 for bank wires, \$300 one-time document preparation fee, and 1% of each draw disbursement for CFS Management Fee. The 1% CFS fee will be added to each draw disbursement. For example if the draw is for \$20,000, CFS will process the transaction for \$20,200.

Our fee includes:

- Budget Management with the builder
- Draw Coordination
- Supplemental Documentation
- Informal Inspections
- Payment Processing
- Monthly Bank Statement to the Homeowner
- Electronic Access to all supporting Draw Disbursement documentation

Let CFS take the headache out of keeping track of what has been paid, if the costs are in correlation with the builder's contract and budget and most importantly, taking the necessary steps to protect the homeowner against potential liens that could cloud the title of the property.

If you are ready to proceed, please contact CFS at 830-980-6624 or Loans@ConstructionFinancial.com to submit the necessary documents and to obtain the Wire Instructions to set up your Homeowner's Equity Account.



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BUILDER AND HOMEOWNER CONSIDERATIONS

To protect the homeowner's interest, following is a list of items to consider before signing a contract with a builder:

- Is the contract a COST PLUS or SET FEE?
 - a. Cost Plus: Vendors [materials] and Subcontractors [labor] are paid directly by CFS. Builder obtains Administrative Fees and Profit either based on a percentage of the home's cost or a set fee and are paid by CFS and are dependent upon the progression of construction / completion of the home. Any overages in the budgeted line items for construction are the responsibility of the homeowner and will not be funded through CFS. Any shortages in the budgeted line items can be applied to other areas of construction. The budget is shared with the homeowner.
 - b. Set Fee: Vendors and Subcontractors are either paid by the builder who then submits a draw request for reimbursement, or are paid directly by CFS. Builder's Administrative Fees and Profit are included in the set fee and are paid by CFS dependent upon the progression of construction / completion of the home. Any overages in the budgeted line items for construction are the responsibility of the builder and will not be funded by CFS. Any shortages in the budgeted line items can be applied to other areas of construction or paid to the builder as project management fees. The budget is not shared with the homeowner.
- Mutual agreement on the number of draws the builder will submit to CFS for payment. Draws that include labor must pass an informal on-site inspection, which costs \$75 per site visit. Also if builder requests disbursements be wired directly into their bank account, a wire transfer fee of \$25 is applied to each transaction.
- Mutual agreement if draw requests for payment by CFS must be authorized by the homeowner or not
- Ensure the builder is responsible for and will show proof of:
 - a. Licensed Real Estate Inspections:
 - Before the slab is poured,
 - Before drywall is installed, and
 - Upon completion of the home
 - b. Forms Survey before the slab is poured
 - c. Builder's Risk Insurance with the Homeowner listed as an additional insured for the full Price of the home
 - d. Builder's General Liability Insurance for a minimum of \$1,000,000.00
 - e. Workman's Compensation Insurance
 - f. Lien Wavers signed by sub-contractors for Workman's Compensation
 - g. Lien Releases from all sub-contractors whom the builder pays directly for labor



BUILDER AND HOMEOWNER REQUIREMENTS

To proceed with a Construction Cost Management Program with CFS, please submit the following documents for review:

1. Builder's Information, including:
 - a. Company's Principal [person authorized to sign legal documents] name, phone number and email address,
 - b. Project Manager [person on-site overseeing construction] name, phone number and email address,
 - c. Company's Formation Documents [Articles of Incorporation, DBA, Assumed Name Certificate, etc.],
 - d. Detailed Builder's Budget [sample attached]
 - e. Certificate of Builder's Risk Insurance with the Homeowner listed as an Additional Insured
2. Signed Contract between Builder and Homeowner
3. Land Documents [Sales Contract, Payoff Statement or Warranty Deed]
4. Land Survey to show Easements

Although not a requirement by CFS, it is strongly recommended the Homeowner obtain a Title Policy to ensure the property is free of liens once construction is complete.



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DRAW DISBURSEMENT FAQ

IS THE HOMEOWNER REQUIRED TO SIGN EACH DRAW REQUEST? No. The homeowner's draw authorization is not required UNLESS it is a condition of the Builder's Contract.

IS THE BUILDER LIMITED TO THE NUMBER OF DRAWS? No.

WILL INSPECTIONS BE PERFORMED TO ENSURE THE WORK IS COMPLETE BEFORE THE BUILDER RECEIVES FUNDS? Yes.

IS THERE A FEE FOR EACH DRAW? A \$100 inspection fee will be paid by CFS via the homeowner's equity account if the draw includes labor. A \$30 EFT fee will also be applied for any FedEx or Wire payments.

WHAT IS SUBMITTED FOR A DRAW DISBURSEMENT? If payment is to the builder for reimbursement, paid receipts are required for materials, and signed lien releases are required for labor. If payment is directly to vendors and/or subcontractors, submit invoices. These documents are sent to CFS along with a completed Draw Disbursement Request based upon the builder's construction budget.

WHAT IS THE DRAW DISBURSEMENT TIMEFRAME? Draws that include labor must pass an informal inspection to ensure the work is complete before funds are paid out. Draws for materials are paid out within 24 hours; draws for labor are paid out within 48 hours. Payments can be issued via USPS, FedEx or Wire Transfer to the builder, vendors or subcontractors.

WILL FUNDS BE DISBURSED TO THE BUILDER IN LUMP SUMS? [i.e. down payments or advancements] No. Funds are paid based on materials purchased and/or labor completed. The builder cannot request down payments or advancement of funds. Builder Administrative Fees are paid based on the progression of construction.

CAN VENDORS AND SUBCONTRACTORS BE PAID DIRECTLY? Yes. If the builder does not want to carry the costs, invoices can be submitted directly from vendors and subcontractors for direct payment.

CAN THE HOMEOWNER SUBMIT RECEIPTS FOR REIMBURSEMENT? Yes. If the homeowner wants to purchase materials, for example on a credit card to obtain reward points, they can in turn submit the paid receipt for reimbursement; paid out within 24 hours.

HOW WILL THE HOMEOWNER KNOW WHAT HAS BEEN PAID FOR?

With 48 hours of draw disbursement, copies of every receipt and lien release paid by CFS through the homeowner's equity account will be uploaded to the CFS server and the homeowner will be automatically notified and supplied with a link to log in and download the supporting draw documents. The homeowner will also receive copies of the monthly bank statements.



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DRAW DISBURSEMENT PROCEDURES

[1] CFS Construction Draw Disbursement Request - Completed and Signed

- It is an independent agreement between the builder and Owner if the homeowner's signature is required on each draw request. This is not a standard CFS policy. If CFS receives a request from the homeowner to approve draw requests prior to inspections and disbursement, CFS will honor that request and will provide the homeowner with a list of items and associated percentage of completion for each line item.
- If needed, contact CFS to obtain a Draw Disbursement template

[2] For payment to the Contractor / Builder, send:

- Materials:.....Paid Receipts
- Labor:.....Receipts and/or Release of Liens signed by subcontracts / vendors
- Admin. FeesInvoice from Builder

[3] For payments to the Subcontractor and/or Vendor, send:

- Materials:.....Invoices
- Labor:.....Invoices

Construction Financial Solutions will only disburse payments to the builder if the builder can provide proof of reimbursement. Thus paid receipts for materials and signed Lien Releases from laborers are required.

Send to Construction Financial Solutions

- Fax to:(210) 568-6314 or
- Email to:.....Draws@ConstructionFinancial.com

Include instructions for delivery [USPS mail, wire transfer, FedEx or pick-up]. If you are requesting a wire transfer, please ensure CFS has correct wiring instruction on file for your bank.

After receiving the above, CFS will order an inspection to verify the completion of the items in the draw request. Checks will be issued within 48 business hours of receipt based on the inspection report. Upon request, materials can be paid directly to vendors for materials the same day as when the draw request is received.

Inspections are required for all LABOR draws. A \$100.00 fee will be assessed and applied to the draw for each inspection. Also, a \$30 fee is applied to the draw for each money wire transfer and/or overnight shipment.

NOTE

- A Certificate of Builder's Risk Insurance with Construction Financial Solutions as an additional insured is required before any labor draws will be disbursed [lot clearing, foundation preparation].
- A Forms Survey is required before concrete/foundation materials or labor draws will be disbursed. The ordering and payment of the forms survey is the builder's responsibility unless otherwise detailed within the builder's contract with the homeowner.
- In accordance with Texas Property Code, CFS will supply the homeowner with copies of all receipts, invoices and release of liens for each draw.



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CONSTRUCTION COST MANAGEMENT AGREEMENT

HOMEOWNER/OWNER: _____

MAILING ADDRESS: _____

PROJECT ADDRESS: _____

CONSTRUCTION MANAGER: _____

MAILING ADDRESS: _____

ARCHITECT-ENGINEER: _____

This agreement made this _____ day of _____, 20____ between Construction Financial Solutions and

HOMEOWNER/OWNER: _____

CONSTRUCTION MANAGER: _____

The Construction Manager accepts the relationship of trust and confidence established between him/her and Construction Financial Solutions [CFS] by this Agreement. The Construction Manager covenants with CFS to furnish his/her best skill and judgment and to cooperate with the Architect-Engineer in furthering the interests of the Owner. He/she agrees to furnish efficient business administration and superintendence and use his/her best efforts to complete the project in the best and soundest way and in the most expeditious and economical manner consistent with the interest of the Owner.

This Agreement between CFS, the Owner and Construction Manager supersedes any prior negotiations, representations or agreements. Drawings, specifications and other descriptive documents defining the work to be included under a construction authorization are substantially complete, they shall be identified in the construction authorization issued by the Project Director.

Any and all adjustments to the original contract and supporting construction budget will be agreed upon, in writing, by Owner and Construction Manager.

Upon execution of this Agreement, Construction Financial Solutions will obtain the necessary legal documents for a fee of \$300.00 payable by Owner.



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DEPOSIT ESCROW AGREEMENT

HOMEOWNER/OWNER: _____

MAILING ADDRESS: _____

PROJECT ADDRESS: _____

CONSTRUCTION MANAGER: _____

MAILING ADDRESS: _____

This agreement made this _____ day of _____, 20____ between Construction Financial Solutions and

HOMEOWNER/OWNER: _____

CONSTRUCTION MANAGER: _____

The "Work" shall mean the installation/completion in a good and workmanlike manner of all construction to be completed on the subject property.

The "Escrowed Funds" shall mean the sum to be deposited with the Escrow Agent by Owner from Owners' funds, and not from loan proceeds.

1. Owners deposit with the Escrow Agent the Escrowed Funds to insure that the Work is performed. Owners have agreed to deposit the Escrowed Funds with Construction Financial Solutions pursuant to the terms and provisions of this agreement.

2. The parties hereto hereby agree that the Escrowed Funds shall be held in an interest bearing account with a State or National Bank of Lender's selection (the "Escrow Account") and shall be disbursed under the terms, conditions and provisions of this Deposit Escrow Agreement.

EXECUTED in multiple originals, each of which shall constitute an original, effective _____.

OWNERS: _____

CONSTRUCTION FINANCIAL SOLUTIONS: _____

_____ [DATE]



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