

Construction Financing: *What Contractors Need to Know*

Cincinnati Development Fund (“lender” or “CDF”) provides financing for new construction and rehabilitation of homes and apartments in areas in need of revitalization. This fact sheet outlines CDF’s construction financing processes and policies. It is provided as a resource to help contractors plan their projects.

The general contractor and all subcontractors providing more than \$10,000 worth of work must be approved by CDF. A “Contractor Approval Form” must be submitted for each.

1. There are no down payments. Money is released on a percentage-of-completion basis after an inspection has been completed by the lender or its draw inspector. Generally, no money is released for materials until they are installed.
2. There can be no more than one draw per month.
3. If a draw will be funded from more than one source (such as CDF and the owner or CDF and the City of Cincinnati), no funds will be disbursed until all funds are received by the lender or its title insurance company. Lender or title insurance company shall disburse the funds.
4. Draw Request Packet shall consist of owner’s authorization, contractor’s Pay Application (AIA G-702/703s), affidavits, lien waivers and invoices.
5. Contractor shall provide a Schedule of Values (Construction Budget) and Construction Draw Schedule. Draw Schedule and payment amount are part of the contract between owner and contractor based on project plans and specifications. The contract amount may be changed with a proper change order.
6. Retainage of 10% will be held back on each draw and will be released by the lender after the final inspection confirms that the rehabilitation work is completed satisfactorily. The lender may hold the release of the 10% holdback for no more than 35 days after project completion (or the time period required by law to file a lien, whichever is longer) to ensure compliance with state lien waiver laws or other state requirements.
7. Completed work must be inspected and approved by lender and/or its draw inspector. No funds will be released without a written inspection report.
8. Improvements must comply with all local codes and ordinances.
9. Permits must be issued on all work, according to requirements.
10. Change orders and additional work cannot be performed without written and costed-out proposal(s) from the contractor and material supplier and must be approved by the owner, lender and draw inspector before work is started. Any work performed outside of the contract and specifications must be paid for outside of mortgage proceeds unless a proper change order is submitted and approved by the lender.
11. All contracts must detail (A) what work is to be performed and what materials are to be used; (B) line item costs, with a sum total price; (C) approximate start and completion dates; and (D) an acceptable method for dispute resolution.