

How Construction Draws Work

A quick guide for borrowers

Your construction money isn't paid out all at once. It's held in a construction budget and released in stages, called draws, as each phase of the build is finished.

The short version: You build a phase, it passes city inspection, we inspect it, and we pay you back for that phase. Every draw is a **reimbursement**, so you or your builder pay for the work first. Plan your cash flow to cover at least one phase at a time.

Before your first draw

- **Signed construction contract.** A fixed-price contract with your general contractor, or our budget form signed by your contractor.
- **Approved contractor.** If you hire your contractor after closing, we review and approve them before any draws go out.
- **Approved plans and permits.** No draws are released until these are in.
- **Draw schedule.** Your budget broken into phases, with the amount and expected timing of each draw. This comes in with your application.

How each draw works

1	Finish a key phase. Typical phases are foundation, framing, and rough-ins (plumbing, electrical, mechanical, sprinkler).
2	Pass the city inspection. Send us the inspection receipt and passing results for that phase.
3	Request your draw. We send an inspector to confirm the work. The inspection fee is about \$225 per visit.
4	Contractor signs a lien waiver. Your general contractor signs a lien waiver for the work being paid.
5	Get paid. Funds are wired to your or your builder's account. Draws are processed weekly, usually 2 to 7 days from request to wire.

Good to know

- **You only pay interest on what's been drawn**, not the full construction budget.
- **Title updates.** Your title company updates title after the foundation is poured and again before the final draw. The final update is paid at closing.

- **Final draw.** We may ask for lien waivers from key subcontractors or your largest supplier before releasing the last draw.
- **Change orders.** Stick to the approved plans and budget. Changes are approved case by case, may carry a fee, and any change we don't approve is paid by you.

Tips to get paid faster

- Schedule city inspections as soon as each phase is done.
- Send inspection results and the lien waiver with your draw request, not after.
- Keep receipts and photos for every phase.
- Talk to us before making any change to the plans or budget.

Questions?

Contact your RS Capital loan officer at justsmartcapital.com.