

Mike and Jesse Barker is looking to hire a reputable home builder and would like to know how much of the mortgage funds their builder will receive at various stages during the construction of their new house. By knowing the draw schedule, it will also provide their builder the funding figures so that all parties can plan and budget for the construction. The Barkers would like to put 20% towards their down payment.

Construction Details:

Lot Value	\$150,000
Cost to Complete the Building:	\$300,000
TOTAL:	\$450,000
Downpayment:	\$ 90,000

Approved Mortgage \$360,000 @ 80% Loan – To - Value

1st Draw at 44% Complete (Air Tight)

\$300,000 (Building Cost) x 56% Not Complete = \$168,000 (Holdback from Mortgage)

\$360,000 (Mortgage) - \$168,000 (Holdback)

= \$192,000 1st Draw - \$13,200 (10% of completed amount will be heldback by the lawyer)

= \$178,800 Actual amount funded

2nd Draw at 65% Complete (Rough In)

\$300,000 (Building Cost) x 35% Not Complete = \$105,000 (Holdback from Mortgage)

\$360,000 (Mortgage) - \$192,000 (1st Draw) - \$105,000 (Holdback)

= \$63,000 2nd Draw - \$6,300 (10% Lawyer Holdback)

= \$56,700 Actual amount funded

3rd Draw at 85% Complete (Drywall / Cabinets)

\$300,000 (Building Cost) x 15% Not Complete = \$45,000 (Holdback)

\$360,000 (Mortgage) - \$182,000 (1st Draw) - \$63,000 (2nd Draw) - \$45,000 (Holdback)

= \$70,000 3rd Draw - \$6,000 (10% Lawyer Holdback)

= \$64,000 Actual amount funded

4th Draw at 100% Complete (Substantial Completion)

= \$35,000 4th Draw - \$4,500 (10% Lawyer Holdback)

= \$30,500 Actual Amount funded

The Law:

Lawyers are required to hold back 10% and the accumulated holdback will be released 30 days after project is completed. The intent of this legal policy is to ensure all Trades are paid according to their respective contracts.

Total accumulated holdback is **\$30,000 which will be paid out 30 days after completion.**