



CONSTRUCTION CONTRACT

Real Estate Construction Loan Application, General Construction Requirements and Guidelines

- I. **SET OF PLANS** Signed by architect, borrower, and general contractor
 - A. Floor plans of all levels to scale: Including unfinished basement
 - B. Elevations to scale: Including all sides
 - C. Additional buildings: Garage, barn, guest quarters, etc.

- II. **PLOT PLAN AND SITE INFORMATION**
 - A. Legal description (Warranty deed or title insurance policy)
 - B. Street Address and directions when needed
 - C. Purchase price and terms of property if acquired within the past 2 years
(Copy of the buy/sell agreement or settlement statement)
 - D. Survey/Location of boundaries and corner pins if needed
 - E. Plot Plan / Building locations:
 1. Residence
 2. Garage / Carport
 3. Decks / Porches
 4. Walkways / patios
 5. Other out-buildings
 6. Well – community, individual, or public
 - Copy of well log, if individual
 - If well is located off site or shared, provide copy or recorded well agreement and easements to access well site
 - Water quality test (as needed)
 - Water rights as filed (as needed)
 7. Utilities:
 - Electric / natural gas / other
 - Phone
 - Cable TV
 - Other
 8. Access:
 - On-site
 - Off-site
 - Recorded Road Maintenance Agreement (if 2 or more parties share the roadway)
 - Public/Private access
 9. Flood plane location/ flood insurance
 - F. Approval signed by homeowners association, architect review committee, or other authority that subject has met a satisfactory plan review (if applicable)

NOTE: Borrower, architect, and general contractor are responsible for obtaining all required building permits and complying with zoning regulations, set-back

requirements, building size requirements, covenants, and restrictive conditions placed on property

III. **COPY OF CONSTRUCTION CONTRACT:**

- A. Signed by owner/borrower and general contractor

IV. **DESCRIPTION OF MATERIALS AND BUILDING SPECIFICATIONS**

- A. This information will be utilized by the appraiser and **MUST BE SIGNED BY THE OWNER/BORROWER AND GENERAL CONTRACTOR** (Copy attached)

V. **DETAILED COST BREAK-DOWN**

Must disclose labor and material costs for various aspects of construction, as provided by contractor on the attached form or other acceptable format.

- A. The cost breakdown will be the guideline for loan disbursements and progress payments during the construction period
B. Borrower and general contractor will submit a **monthly draw request** and a construction progress report
C. All progress payments are also compared to a percentage of completion schedule to assist with the cost analysis and funding available to complete the project

The line items will be compared to bids or contracts submitted as disclosed on the original cost breakdown information

VI. **SCHEDULE OF MAJOR SUBCONTRACTORS, MATERIAL SUPPLIERS, AND LABORERS:**

This schedule will be used and compared to the cost breakdown report prior to disbursements for materials and labor. The Bank may require that major subcontractors supply a list of materials and labor suppliers.

VII. **LIEN WAIVERS FOR MATERIALS AND LABOR SERVICES**

For amounts in excess of \$500.00 or as specifically agreed to by all parties

- A. If borrower/owner pays for items completed prior to loan closing, lien waivers may be required for those services. This may involve additional fees by the title insurance company to verify if any notices of right to claim a lien have been filed
B. All lien waivers are to be fully completed, obtained and delivered to the Bank. This includes lien waivers from previous payments **prior** to any future payments being advanced
C. The Bank will provide lien waiver forms. General contractors may submit other forms for pre-approval
D. Lien waivers for services and materials will be required to correspond with the lien waiver information certified on the schedule of major subcontractors. This includes material suppliers and laborers unless specified prior to approval

LIEN WAIVERS (CONT'D)

- E. Borrower/ Owner and/or General Contractor are to provide the Bank with a copy of all **“Notices of Rights to Claim a Lien”** on non-commercial type projects. The law requires all people hired by the contractor to provide the borrower/owner with service or materials to give notice of the right to lien and let the borrower/owner know what service and/or materials they have provided.
- F. Prior to final disbursement, a title company may be required to update the coverage to ensure against any possible liens

VIII. **TIME SCHEDULE**

- A. For most residential properties, six months allows for an adequate time for completion and to secure long term financing.
- B. On larger projects or in special circumstances, the loan term may be extended to 12 months

IX. **PAYMENTS AND DISBURSEMENTS:**

Borrowers/Owners or general contractors may receive disbursement checks and lien waivers from the Real Estate Loan Department upon satisfactory review of the cost breakdown analysis **and at least one monthly site inspection** by the bank’s designated inspector. Construction draws will be advanced **one time per month**. It is the responsibility of the General Contractor and/or the borrower to anticipate required deposits for such items as cabinets, floor coverings, doors, windows, and additional labor expenses, etc. Regular banking hours are 9:00 am to 5:00 pm Monday through Thursday and 9:00 am to 5:30 pm on Fridays.

- A. Construction draw request forms will be submitted for progress advances from the construction loan. The draw request form **must be signed by the general contractor and acknowledged or reviewed by the borrower**.
- B. The borrower/owner and/or general contractor are required to notify the Bank immediately of any cost overrun for any line item.
- C. The borrower/owner and/or general contractor are to certify on the construction draw whether or not there are sufficient construction loan funds available to complete the project.
- D. Invoices, statements, lien waivers – **required** to be presented for all payments
- E. Payment options:

_____ Disbursements may be made directly to the General Contractors **provided** supporting invoices are submitted along with the Draw Request form. Current financial statements and credit reports on General Contractors may be required at the Bank’s option in order to determine the contractor’s financial stability.

-OR-

_____ The Bank will disburse directly to the suppliers of materials & labor **provided** supporting invoices are submitted along with the Draw Request form. **Lien waivers are required to be returned prior to future advances.**

- Tax I.D. Numbers and addresses of suppliers **must** be provided

- X. **COST OVERRUNS:**
- XI.
- A. For all draw request that exceed the amount of a particular line item in the cost breakdown, the borrower/owner will be required to deposit additional funds in the construction account with the Bank.
 - B. Such deposits for overruns or deficiencies shall be deposited at the time of the deficit unless satisfactory arrangements are made with Flathead Bank to provide for payment
 - C. A revised cost breakdown and impact report on the cost overruns will be prepared by the owner/borrower and/or general contractor and may be required prior to any future payments/draws if deemed necessary by Flathead Bank.
- XII. **CHANGE ORDER POLICY**
- A. All significant changes will be submitted to Flathead Bank for approval in the form of a signed Change Order prior to the commencement of the change.
 - B. The Change Order must describe and provide sufficient details concerning the change and also show the dollar amount of increase or decrease in relation to the various line items included in the cost breakdown schedule.
 - C. If the change increases the budgeted cost of a particular line item, additional funds from the borrower should accompany the change order for deposit in the construction account
- XIII. **INSPECTION POLICY**
- A. Progress reports will be updated on a monthly basis at the time the physical inspection is complete
 - B. Inspections may be required for significant changes to obtain bank approval prior to the commencement of the change
 - C. **Inspection Fees:**
 - 1. **\$50.00 within a 10 mile radius of the bank**
 - 2. **\$75.00 outside a 10 mile radius of the bank**
 - 3. **Fee negotiable if in excess of a 40 mile radius of the bank**
- XIV. **THE BANK'S ROLE IN THE CONSTRUCTION PHASE**
- A. The Bank and its employees are not contractors, engineers, soil analysts, architects, etc. and do not warrant, certify or control the quality, scheduling, structural integrity, etc. of the project. The borrower/owner is encouraged to seek competent advice from qualified persons or firms on all construction matters
- The Bank's primary responsibility is to protect its financial interest and/or security in the project **and to determine that materials and work is consistent with draw requests and advances issued**
- B. Any disputes between the borrower and contractors involved in the project **must be negotiated and settled between the parties involved.** The Bank need not be a participant unless invited by the parties. The parties concerned shall notify The Bank of such disputes. In the event of such disputes, The Bank may retain up to 1.5 times the estimated cost of completion of the disputed items.

- XV. **CONTRACTORS OR BORROWERS ACTING AS GENERAL CONTRACTOR**
- A. If the individual or entity is acting as the general contractor is unfamiliar to the Bank, a resume including experience, types of projects and references will be required
 - B. The Bank may require a financial statement and/or credit report on the general contractor and/or any other subcontractor associated with the project
- XVI. **GENERAL**
- A. A Builders Risk Insurance or homeowners “course of construction” coverage for fire, physical damage, vandalism, etc. is required prior to the initial advance of the construction loan. Insurance coverage can be purchase by the general contractor for the borrower/owner as described in the construction contract and **must** list the Bank, as loss payee
 - B. Upon completion of plans and specifications, it is recommended that borrowers/owners obtain at least 2 bids from reputable contractors to obtain competitive pricing and quality
 - C. A formal appraisal must be completed prior to any advances from a construction loan

I/we hereby certify that I/we have read and understand the construction requirements and disbursal policy at the Bank.

Applicant

Date

Applicant

Date

General Contractor

Date