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**MISSOURI HOUSING**  
DEVELOPMENT COMMISSION

# CONSTRUCTION DISBURSEMENT



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OPPORTUNITY

# Title Company Selection



The Title Company – must be authorized to do business in the jurisdiction in which the Property is located.

The Title Company- must be able to perform monthly disbursement.

The Title Company – must be able to furnish date-down endorsements for each draw process and collect lien waivers.

The Title Company- must have a minimum rating from A.M. Best of “B+” or Demotech rating of “S”.





# Initial Disbursement Application

- The mortgagor/owner and the general contractor are responsible for providing MHDC with the appropriate designated forms and documentation.
- The Application for Advance of Mortgage Proceeds (MHDC # 2420), must be submitted seven days prior to the date of Initial closing for all construction loans.
- Only 1 original copy is required unless title company or owner require an original copy.



# Initial Disbursement Application



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- The Draw must contain the following original forms:
  - » 1. The Application for Advance of Mortgage Proceeds -- MHDC #2420
  - » 2. The Disbursement Schedule -- MHDC #2430
  - » 3. The Application and Certification for Payment—AIA Document G702-G703
  - » 4. The Contractor Advance—MHDC #2440



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# Initial Disbursement Application



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- Documentation to support the amounts being requested- (i.e., invoices, statements)
  - 1. Invoices –must contain the following information for payment and /or reimbursement :
    - » Company Name
    - » Company address
    - » Amount being billed
    - » Project information
    - » Description of the activity



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# Initial Disbursement Application



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- The following items should be included on the first draw:
  - All Insurance invoices
  - The Invoice for Title & Disbursing
  - Building Permits
  - Letter of Credit
  - Construction, Permanent Financing & Construction Inspection Fees
  - Lease Up (If applicable)



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# Insurance Requirements



- The types of insurance listed below must be in place for closing to occur:
  - Builder's Risk
    - Coverage amount must match the minimum insurable value listed on Exhibit E of the Firm Commitment
    - Mortgagor/Owner must be listed as the insured
    - MHDC needs to be listed as the additional interest
    - MHDC needs to be marked as the loss payee and mortgagee
  - General Liability
    - Mortgagor/Owner must be listed as the insured
    - MHDC needs to be listed as the certificate holder
  - Fidelity Bond
    - Minimum coverage of \$50,000
    - MHDC needs to be listed as the certificate holder



# Insurance Requirements



- The types of insurance below are required for the project to convert to a permanent loan:
  - Property & General Liability
    - No gap period in coverage
    - Mortgagor/Owner must be listed as the insured
    - MHDC needs to be listed as the additional interest
    - MHDC needs to be marked as the loss payee and mortgagee
  - Fidelity Bond
    - Management Company listed as the insured
    - Minimum insurable value of \$50,000
    - MHDC needs to be listed as the certificate holder
  - Worker's Compensation
    - Management Company listed as the insured
    - MHDC needs to be listed as the certificate holder





# Monthly Disbursements Forms



- The monthly disbursement will require the utilization of the same forms submitted for the initial draw.
- Contractor's Prevailing Wage Certificate (MHDC Form #2450)- must be certified by General Contractor and the Inspecting Architect.
- Master Subcontractor 's List (MHDC Form 2502)-must contain subcontractors and suppliers actively providing services or supplies on the construction site.



# Monthly Disbursements



- The amount requested for construction must be approved by an MHDC designated inspector.
- The development must be in good standing with the weekly submission of Prevailing Wage Payroll.
- The Application for the Advance of Mortgage Proceeds should include all outstanding MHDC interest invoices.



# Contractors Fees and Retainage



- The monthly amount requested for contractors Builder's Profit and Overhead should not exceed the percentage of completion of development.
- The Contractor Fees should never exceed the percentage of construction amount established on the MHDC Form 2013.
- MHDC will permit up to five percent of the construction/rehabilitation cost as retainage during the construction period.



# Contractors Fees and Retainage



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- The five percent retainage will be released at project completion **with** the submission of the Contractor's Cost Certification and Letter of Credit for Latent Defects.
- Retainage **may be** adjusted for stored material.



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# ESCROWS



- Lease up Escrow-must be funded at initial closing and should be used **only** for marketing and administration expenses related to lease up period.
- Incomplete Work Escrow –must be established prior to the release of the final retainage.
- Latent Defects Escrow- Contractor must establish escrow of 2.5% of Construction Contract. The escrow will be held for 15 months from the established cutoff.



# Change Orders



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- Change Orders involving MHDC construction loans must be submitted with the draw on the AIA G701 form with original signatures:
  - Inspecting Architect
  - Owner
  - Contractor
- Change Orders with Permanent MHDC Financing should also include supporting documentation.
- All Change Orders must be approved by the designated MHDC inspector.



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# Change Orders



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- Adjustments to the approved MHDC Form FIN 115 must be processed with a Change Order approved by all required parties.
- All Change Orders must contain the detail account for each increase/decrease to the scheduled values of the construction contract.
- All Change Orders must be submitted prior to final paid application to the Contractor.



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# Cost Certification Cutoff Dates



- The Certificate of Substantial Completion (AIA G704) for the **entire** project approved by the designated MHDC inspector will establish the cutoff date for the Contractors.
- The Final Inspection Report approved by the designated MHDC inspector will establish the Mortgagor's cutoff date for the development.



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# Questions?



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