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## Explaining draw schedule

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A draw schedule in a 100% construction loan establishes a structured payment plan, where funds are disbursed in phases based on construction progress. The money is not given all at once but rather in incremental draws, typically subject to inspections.

### How Does a Draw Schedule Work?

**1. Loan Approval:** The loan is approved to cover 100% of construction costs, based on the approved budget and project appraisal. A disbursement schedule is established to determine when and how funds will be released.

**2. Funds Disbursed in Phases:** Funds are released in stages as construction progresses. Each disbursement is contingent upon an inspection to verify that the corresponding phase has been completed.

### 3. Typical Draw Schedule Phases

Phase	Percentage of Loan	Description
Closing / Land Purchase	10-20%	N/A - Covers the purchase of land (if applicable) and initial costs.
Site Preparation & Foundation	10-15%	Excavation, foundation, and site preparation.
Framing & Structure	15-20%	Walls, roof, and main structural framework.
Installations (Plumbing, Electrical, HVAC)	15-20%	Essential system installations.
Interior & Exterior Finishes	20-25%	Drywall, flooring, painting, windows, doors, etc.
Final Completion & Retainage	5-10%	Last details and retainage until final approval.

**4. Inspections & Fund Releases:** Before each draw, the lender sends an inspector to verify progress. If the work meets the requirements, the next tranche of funds is released. Some loans withhold a percentage (e.g., 10%) until the project is fully completed.

**5. Project Completion:** Once construction is finished, a final inspection is conducted, and the loan may be converted into a traditional mortgage or paid off upon property sale.

### **Key Considerations**

Borrowers only pay interest on disbursed funds, not on the total approved loan amount. Is important to work with an experienced contractor and adhere to timelines to avoid payment delays. The lender may require detailed documentation before releasing each draw (invoices, permits, progress reports).

If you need more detailed information about your case, let me know, and i will be happy to help.

Best regards

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