**Section 1000.640 Construction Loans**

a) For the purpose of this Section, the phrase "construction loan" means that proceeds of the loan are to be used for construction of the respective improvement with all disbursements to be made in accordance with this Section.

b) Construction lending policies and procedures shall provide that:

1) No disbursements shall be made unless in conformity with a sworn contractor's statement or amended statement, which statement or amended statement shall comply with the mechanics' lien laws of the State in which the collateral property is located and shall be kept on file at the association throughout the duration of the association's investment in the respective loan.

2) No construction funds shall be disbursed prior to receipt of a written statement indicating that the work for which payment is being requested has been completed. Such written statement shall be furnished by a person authorized by the board of directors.

3) No construction funds shall be disbursed unless approved by the borrower or the borrower's authorized agent. A blanket authorization may be accepted.

4) The association shall at all times retain construction funds sufficient to complete the improvements in accordance with the contractor's sworn statement or amended statement.

5) Waivers of mechanics' liens shall be required and shall be delivered to the association or its agent prior to each disbursement of construction funds unless a lien free form of title insurance policy is obtained prior to such disbursement.

(Source: Amended at 10 Ill. Reg. 14290, effective August 20, 1986)