**Section 1075.520 Construction Loans**

Construction lending policies and procedures shall provide that

a) No disbursements shall be made unless in conformity with a 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 savings bank throughout the duration of the savings bank's investment in the respective loan.

b) No construction funds shall be disbursed before 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.

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

d) The savings bank shall at all times retain construction funds sufficient to complete the improvements in accordance with the contractor's statement or amended statement. A savings bank may take into consideration equity provided by the borrower in the form of labor.

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

(Source: Amended at 22 Ill. Reg. 6719, effective March 30, 1998)