

**CONVENTIONAL CONSTRUCTION LOAN**

**DISBURSEMENT AGREEMENT** entered into

BETWEEN:

\_\_\_\_\_  
(insert the address of the place of business or office)  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
(hereinafter referred to as the "Lender")

AND:

\_\_\_\_\_  
(insert the name and address of the place of the  
Borrower's usual residence)  
\_\_\_\_\_  
\_\_\_\_\_  
(hereinafter referred to as the "Borrower")

**WHEREAS** the Borrower, by Application for Mortgage dated \_\_\_\_\_  
(Month)  
\_\_\_\_\_, \_\_\_\_\_ requested the Lender to extend to him a loan of  
(Day) (Year) \_\_\_\_\_ DOLLARS (\$\_\_\_\_\_) (hereinafter referred to as the "Loan"), for the construction of a Building (hereinafter referred to as the "Building") upon the immoveable property described below (hereinafter referred to as the "Property") encumbered or to be encumbered by a first hypothec in favour of the Lender to secure this Loan.

**WHEREAS** the Lender, by Approval of Mortgage dated \_\_\_\_\_  
(Month)  
\_\_\_\_\_, \_\_\_\_\_ approved the making of the Loan to the Borrower;  
(Day) (Year)

**WHEREAS** the Lender and the Borrower wish to set forth the conditions under which the Lender shall advance to the Borrower the proceeds of the Loan during the course of construction of the Building;

**WHEREFORE, THE PARTIES HAVE AGREED AND COVENANTED AS FOLLOWS:**

1. The Borrower declares and warrants that:
  - (a) The information given by the Borrower or the Guarantor, if any, in the Borrower's Application for Mortgage remains true and correct;
  - (b) The financial condition of the Borrower or the Guarantor, if any, has not changed adversely from that disclosed in the said Application for Mortgage;
  - (c) The Borrower is the absolute owner of the Property by good and marketable title, the Property is free and clear of all prior claims, hypothecs and encumbrances whatsoever, and the Property shall so remain at the time of each and every advance of the proceeds of the Loan, save for the first hypothec granted or to be granted to the Lender under the Deed of Loan.
2. The Borrower agrees with the Lender that the Approval of Mortgage and the Deed of Loan shall not be binding upon the Lender, nor shall the Lender be obliged to advance at any time the proceeds of the Loan, in whole or in part, unless the Borrower has fulfilled each and all of the conditions of this Agreement.

\* Delete inapplicable name.

3. Construction of the Building shall be commenced within ninety (90) days from the date of the Approval of Mortgage and shall be carried out within a reasonable delay. The Building shall not remain without any work being done thereon for a period of more than ten (10) days.
4. The Borrower shall provide the Lender with the plans and specifications for the work of construction (hereinafter referred to as the "Work") of the Building and such plans and specifications and any modifications thereto shall have to be approved by the Lender before the commencement of the Work.
5. The Borrower shall carry out the Work in conformity with the plans and specifications and the standards of construction approved by the Lender, with all applicable building and zoning by-laws and regulations and with good and recognized building practices.
6. The Borrower shall make his own arrangements with his architect, builder or contractor, sub-contractors, suppliers of materials or workmen and shall provide for his own supervision of the Work. The Lender does not provide any supervision of the Work on the Borrower's behalf.
7. The Borrower shall provide the Lender with certificates or receipts of payments of all real property taxes which have become due and payable, prior to the making of any advance. All such taxes which are unpaid at the date of any advance shall be paid from the proceeds of any such advance.
8. The Borrower shall, prior to the first advance of the proceeds of the Loan, provide the Lender with the original of the fire insurance policy for the Building required under the Deed of Loan. Such policy shall contain an extended coverage endorsement and a standard mortgage clause acceptable to the Lender; all losses shall be payable to the Lender as first hypothecary creditor. Should the Building be destroyed or damaged during construction, the Lender shall ipso facto be entitled to withhold or discontinue the making of any and all advances of the proceeds of the Loan and, in such case, the provisions of the Deed of Loan relating to the application of insurance moneys shall be applicable.
9. The Borrower, if and when requested by the Lender, shall provide the Lender with the originals of receipted invoices and receipts for the payment of all services, work done and materials supplied with respect to the Building and the Property.
10. The Borrower shall complete and mail to the Lender a Request for Inspection approximately one week before the date of the inspection required. The Work shall be inspected by the Lender's Appraiser at least three times and more particularly at the following stage: (a) when the foundation is completed and ready for backfill, (b) when the Building is roofed, insulated and ready for lath, and (c) when all the Work is completed. The Borrower may request an additional inspection between stages (b) and (c) listed above when approximately seventy-five percent (75%) of the Work is completed. The Lender shall be entitled to request additional inspections in cases where the Lender has requested the Borrower to correct or remedy any defect or departure from the plans and specifications or the provisions of this Agreement.
11. The Lender's Appraiser shall determine the progress of the Work and establish that the Work is carried out in conformity with this Agreement and, particularly, with the provisions of Paragraph 4 above. The Borrower shall at all times give to the Lender's Appraiser access to the Work. The Appraisal fees of the Lender's Appraiser shall be borne by the Borrower.
12. The Borrower shall promptly correct and remedy any defect or departure from the plans and specifications or the provisions of this Agreement which the Lender shall demand of the Borrower.
13. The amount of each advance of the proceeds of the Loan shall be based on the progress of the Work as established by the Progress Advance Certificates to be submitted by the Lender's Appraiser to the Lender following each inspection of the Work. Advances of the proceeds of the Loan shall be requested by and disbursed in trust to the Notary before whom the Deed of Loan was executed.

- 14. The Lender shall disburse the final advance of the proceeds of the loan only after the expiry of all delays for the registration of any notice to preserve legal hypothecs and, in any event, not sooner than thirty-five (35) days after final completion of the Work. The Lender shall be entitled to withhold from any advance the mortgage insurance fee, the appraisal fees of the Lender's Appraiser, and accrued interest on advances to the Interest Adjustment Date stated in Deed of Loan.
- 15. The Borrower shall, at the time of each and every advance, have fulfilled all the terms and conditions of the Approval of Mortgage, the Deed of Loan and this Agreement. The information given by the Borrower and the Guarantor, if any, to the Lender in the Borrower's Application for Mortgage shall, at the time of each and every advance, remain true and correct and the financial condition of the Borrower and of the Guarantor, if any, shall not have changed adversely from that disclosed in the said Application for Mortgage.
- 16. Should the information given in the Borrower's Application for Mortgage be false or incorrect, or should the financial condition of the Borrower or the Guarantor, if any, have changed adversely from that disclosed in the said Application for Mortgage, or should the representations given by the Borrower in this Agreement be false or incorrect, or should the Borrower be in default under the terms and conditions of the Approval of Mortgage, the Deed of Loan or this Agreement, the Lender shall ipso facto be entitled to withhold or discontinue the making of any and all advances of the proceeds of the Loan and to close out the Loan immediately, without prejudice to and under reserve of all the rights and recourses of the Lender under the Deed of Loan and at Law.
- 17. This Agreement is drawn up in the English language at the request of the Borrower and the Guarantor, if any. La présente Convention est rédigée en anglais à la demande de l'Emprunteur et de la Caution, s'il y a lieu.

**SIGNED** at \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_.  
 (Month) (Day) (Year)

By: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
 (Borrower's Name)

By: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
 (Guarantor's Name)

\_\_\_\_\_  
 (Guarantor's Name)

\*Delete inapplicable name