

91329 Disbursement of Loan Proceeds

(a)

The proceeds of the loan shall be used exclusively for the construction as approved by the Department.

(b)

Upon issuance of the loan by the State, the proceeds of the loan shall be deposited with a trustee acceptable to the State who shall operate under an express trust agreement.

(c)

Subsequent to execution of the loan agreement and other correlative documents, the State shall forward the whole amount of the loan to the trustee to be deposited in a special construction account from which all disbursements shall be made.

(d)

The trustee may invest proceeds of the loan in short-term insured securities so long as sufficient funds are held available for timely payment of valid claims. Income from such investment shall, after deducting agreed charges and costs in favor of the trustee, insure to the benefit of the trust loan corpus.

(e)

Prior to valid claims being paid from the construction account and upon request by the borrower, a Department representative shall examine the borrower's

disbursement records and shall certify, on forms furnished by the Department with respect to such payment to be made, that all work, services and materials are incorporated in the project and are in compliance with agreements, and regulations and statutes determined applicable by the Department.