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Title 22@ Social Security

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Division 7@ Health Planning and Facility Construction

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Chapter 5@ Health Facility Construction Loan Insurance

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Article 2@ General Provisions

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Section 91471@ Disbursement of Loan Proceeds

91471 Disbursement of Loan Proceeds

(a)

Upon issuance of insurance of the loan by the State, the proceeds of the loan and other funds as required by the Office shall be deposited with a trustee pursuant to a written agreement which shall contain such terms and conditions as approved by the Office.

(b)

The trustee shall, with the Office's approval, disburse such deposited funds in the following order or priority: (1) Payment of existing liens necessary to effect clear title. (2) Deposits into special funds or accounts, as required by the Office or the lender under the mortgage or deed of trust. (3) Payment of valid existing claims, including title and recording fees, legal fees, financing charges, consultant fees, architectural and engineering fees but excluding construction claims set forth in (4) below. (4) Payment of valid existing claims for the construction, equipment and other charges connected with construction, which shall be paid from a construction account established for that purpose.

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(4)

Payment of valid existing claims for the construction, equipment and other charges connected with construction, which shall be paid from a construction account established for that purpose.

(c)

Prior to release of funds for payment of claims pursuant to paragraph (b)(4) above, the trustee shall have received from the Office: (1) A certification that the work, services, and materials for which payment is claimed have been incorporated into the project. (2) Office approval of the proposed release of funds. The amount of insured loan proceeds released for payment of each claim shall not exceed that percentage of such claim that the total of the insured loan proceeds is to the total project cost. An exception may be made for good cause when the borrower can clearly demonstrate that total funds for project completion will be available on a timely basis.

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