



CREDIT ENHANCEMENTS

A credit enhancement is an extra layer of protection for a lender, reducing their risk and may be required for various reasons. The reasons behind these requirements are usually connected to the specific type of project, the requested loan product, and how both align with the bank's lending policies. A contractor's strength or experience might lead to a requirement for credit enhancements, but other factors can also trigger this need. One or more of the below credit enhancements may be required entirely based on the type of loan being used to finance your project.

Full Funds Control

When full funds control is required on a project, the general contractor will be required to work with an approved 3rd party engaged by Live Oak to facilitate all payments on the project. This 3rd party will collect all required construction draw documents, conduct monthly site inspections, and facilitate payments to the general contractor, subcontractors, and major material suppliers. Payments are made via check and payable to individual parties associated with the project. The general contractor will receive all checks and be responsible for distributing the payments. This helps the general contractor maintain control over payments, as well as ease the process of collecting required lien waivers.

Completion Commitment*

The Completion Commitment is a product that is offered by some of our approved 3rd party vendors. This product is typically used in lieu of payment and performance bond requirements for reasons such as lack of or inadequate bonding capacity or preference by contractor/owner. Prior to loan closing, the selected 3rd party will assess the contractor, review plans and specs, and evaluate the cost breakdown and construction contract. Once the completion commitment is issued, the 3rd party partner will remain involved in the project until completion via monthly site visits, funds control, and other interventions, as needed.

Payment and Performance Bonds

Payment and performance bonds are common construction bonds that you may seek as an added form of protection on your project. The general contractor (and often times, subcontractors) may be required by the construction contract to obtain these bonds. Simply put, a payment bond protects the owner in the event there is a fault in payment on the project, while a performance bond provides protection surrounding the actual performance of the contractors on the project.

*The issuing 3rd party is not a surety and does not have a financial responsibility to the project.