MAP Guide Appendices

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Appendix 1
HUD Standard Processing Times and Workload Sharing Protocols

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Appendix 2
Lender Guidelines for a Quality Control Plan and Identities of Interest

A. Lender Guidelines for a Quality Control Plan

1. Background

As a condition of receiving or continuing to receive Multifamily Accelerated Processing (MAP) privileges, lenders must have and maintain a Quality Control Plan (QC Plan) for underwriting and construction loan administration, if applicable, of insured mortgages processed under the MAP procedures. Each MAP Lender must develop and maintain an acceptable QC Plan and conduct quality control using the guidelines below.

On January 30, 2004, the Department issued Mortgagee Letter 2004-06, a revision to Chapter 6 (Quality Control Plan) of HUD Handbook 4060.1, REV-1 CHG-1, Mortgagee Approval Handbook. Part A (Overall Requirements) applies to multifamily lenders as well as single-family lenders, but is written primarily for single-family operations. Parts B, C, and D are for single-family lenders only.

This Quality Control Plan of the MAP Guide incorporates, for MAP Lenders, parts of Part A of Mortgagee Letter 2004-06 which are relevant to multifamily. Part E (Quality Control for Multifamily Servicing) of Mortgagee Letter 2004-06 is applicable to MAP Lenders as well as other multifamily lenders.

2. Lender Application Requirement, Exhibit M

A Quality Control (QC) Plan is a required exhibit in the lender's application package for MAP approval. The lender will include the QC as Exhibit M of the application package, as in accordance with the instructions set forth in this Appendix.

3. Policy Objectives

The primary objectives of the QC Plan are to assure:

A. The MAP Lender operates at a high quality performance level in the origination, underwriting, construction loan administration and closing of MAP processed multifamily insured projects.

B. The MAP Lender operates in full compliance with the National Housing Act (NHA), HUD-FHA and MAP requirements and its own policies and procedures.

C. The MAP Lender adheres to the MAP Guide policies and procedures, clarifications and revisions in Frequently Asked Questions (FAQ), applicable regulations, Mortgagee Letters, HUD Notices and HUD Handbooks, and internal controls.

1. These policies and procedures are distributed to and consistently followed by its personnel.
2. These policies and procedures are supported internally by appropriate training and staff development activities.

D. The MAP Lender’s third party contractor(s) involved in a MAP project are familiar with, understand and adhere to the MAP Lender's policies and procedures regarding quality control.

E. The MAP Lender's operating procedures are revised in a timely manner to:

1. Accurately reflect any and all changes in HUD-FHA and MAP regulations, policies, directives or instructions;
2. Keep all affected, accountable personnel informed and trained so as to guarantee an immediate compliance thereto; and
3. Assure that all employees and third party contractors are held accountable for performance failures, errors and omissions.

F. The MAP Lender utilizes a program of internal and external audits that provides for an independent review by MAP Lender’s staff and/or contractor(s) who are knowledgeable and have no direct MAP loan origination, underwriting or construction loan administration responsibilities.

4. General Requirements of a Quality Control Plan

The QC Plan must clearly describe the requirements for the MAP loan origination, underwriting and construction loan administration. The QC Plan must also state the actions the MAP Lender

will take to assure acceptable management and comprehensive risk reduction in the lending process.

A. Each office of the MAP Lender, including its branches must maintain or have direct access to copies of the NHA and all HUD issuances, including Part 24 CFR regulations, HUD handbooks, Mortgagee Letters, HUD Notices, MAP Guide, MAP Frequently Asked Questions (FAQ's), etc. which are relevant to the MAP Lender's HUD-FHA MAP origination, underwriting and/or construction loan servicing activities.

The documents in A. above must be:

1. Accessible to all employees and third party contractor(s);
2. Periodically reviewed with appropriate staff and third party contractor(s); and
3. If maintained in paper format, kept current.

B. The quality control plan must confirm the following about the lender's place of business:

Operations are conducted in a professional, business-like environment. If located in a commercial space, the office is properly and clearly identified, has adequate office space and equipment, and is separated from any other entity by walls or partitions (entrances and reception areas may be shared). If located in a non-commercial space, the office has adequate space and equipment. If it's open to the public, it should be accessible to people with disabilities, including those with mobility impairments.

C. The MAP Lender has procedures in place to:

1. Distribute any electronic information received from HUD to the appropriate employees and third party contractor(s).

2. Notify the Asset Management and Counterparty Oversight Division (AMCOD) of any change in the MAP Lender's:
   o Point-of-contact for the MAP procedures
   o Name
   o Address
   o Email address
   o Telephone and/or FAX numbers
   o Underwriter(s)
   o Construction loan administrator(s), if applicable; and
   o Authorized signatory(s).

3. Provide annual certifications signed by an authorized signatory of the MAP Lender.

   a. The annual certification must be submitted to AMCOD in Washington, DC no later than June 30th of each year.
   b. The certification must:
      1) List the names of the lender's approved MAP Underwriter(s), construction loan administrator(s), and authorized signatory(s) to bind the lender on MAP loan applications.
      2) State that:
         (a) All MAP Underwriters have attended MAP Lender training.
         (b) The MAP Lender is currently a HUD approved multifamily mortgagee.
      3) Include corrective actions employed as a result of most recent QC reviews.
      4) Include a summary of loans underwritten by new underwriters (approved within the last fiscal year).
      5) Contain the following language: WARNING: "HUD will prosecute false claims and statements. Convictions may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31U.S.C. 3729, 3802)."

   c. Submit the certification to:

   US Department of Housing and Urban Development
   Asset Management and Counterparty Oversight Division (AMCOD)
   Office of Multifamily Development
   451 7th Street, SW, Room 6138
   Washington, DC 20410

D. The MAP Lender maintains or has access to the latest Limited Denial of Participation (LDP) list available on the Internet at: http://www.hud.gov/offices/enforce/ecldp.cfm.

E. The MAP Lender, for each application, checks the latest Debarment list available on the Internet at: http://epls.arnet.gov/ .

Note: The Excluded Parties Lists System (EPLS) is the electronic version of the Lists of Parties Excluded from Federal Procurement and Nonprocurement Programs (Lists), which identifies those parties excluded throughout the U.S. Government (unless otherwise noted) from receiving Federal contracts or certain subcontracts and from certain types of Federal financial and nonfinancial assistance and benefits.

F. The MAP Lender does not:

1. Conduct FHA-HUD related business with any person, as defined in 24 CFR 24.105, who are debarred, suspended or subject to a Limited Denial of Participation.

2. Employ or have contact with any individual or firm to perform FHA-HUD related services in origination, processing, and underwriting or construction loan servicing who is restricted from participation in HUD/FHA programs. To this end, the MAP Lender must check their employee list and third party contractors every six months to ensure compliance with this requirement.

G. The MAP Lender retains a copy of the entire case file pertaining to the MAP loan origination, underwriting and/or construction loan administration, either in hard copy or a generally accepted electronic storage format, for example microfilm or scanned and stored on CD Disk, for at least three years from the final endorsement date.

H. The Quality Control Review:

1. Is sufficient in scope to enable the MAP Lender to evaluate the accuracy, validity and completeness of its MAP operation.

2. Provides for independent evaluation of the information gathered or developed by the MAP Lender for use in the MAP origination, underwriting and construction loan administration decision processes.

3. Documents whenever deficiencies in processing, underwriting or construction loan administration are found.

I. Procedures exist for expanding the scope of a QC Review where instances of alleged fraudulent activities or patterns of deficiencies are identified. Other entities or individuals may need to be made part of any ongoing investigation of suspected fraudulent misdeeds to protect their interests as well.

J. The QC Reviewing official(s) defined in Appendix 2C.F above will:

1. Document all findings - positive and negative in writing; and
2. Present each project's QC Review at the next designated committee meeting.

K. Senior management committee meeting.

1. The meeting must be scheduled to meet on a semi-annual basis to hear the findings and recommendations resulting from the QC Reviews or more frequently if serious quality control issues are present.

2. Committee members must receive written notification of deficiencies cited as a result of a QC Review before the meeting.

3. At the meeting, the committee will carefully review and analyze the results of a QC Review and will undertake corrective actions as necessary, including:

   a. Prompt initiation of corrective actions to address all deficiencies, including procedural problems, as identified;
   b. Formal documentation of the corrective actions taken by citing each deficiency, identifying the cause of the deficiency, and providing management's response or actions taken;
   c. Affected third party contractor(s), employees and departments will be notified in writing of such findings, and corrective actions taken to assure senior management that repetitive or recurring actions will not reoccur;
   d. Prompt distribution to all MAP loan origination, underwriting and construction loan administration personnel including contractor(s) of the corrective instructions for the identified deficiencies;
   e. Training for the prevention of such activities will be implemented promptly; and
   f. All remedial actions will be re-reviewed for compliance at the next regularly meeting.

L. The MAP Lender reports to AMCOD in Washington D.C., and provides the reported results of its QC Reviews (not the entire review with checklists) to include the corresponding corrective action plans, provides assurance that the information being reported is accurate, all required information is being reported, and the information is reported promptly.

   The MAP Lender shall promptly notify AMCOD of any violation of law or regulation, false statements or program violations by the MAP Lender, its employees, its contractors or any other party to the transaction. A MAP Lender's Quality Control Program must ensure that findings discovered by employees during the normal course of business and by the quality control staff during reviews/audits of FHA loans are reported to HUD. Findings discovered by employees during the normal course of business and by quality control staff during reviews/audits of FHA loans are reported to HUD within 60 days of the initial discovery. If there is a finding of fraud or other serious violation, finding must be submitted in writing to

AMCOD. If HUD staff is suspected of involvement, the lender should refer the matter to the Office of Inspector General, Department of Housing and Urban Development SW, 451 7th Street, Room 8256, Washington, DC 20410.

M. The MAP Lender will retain any QC Review and follow-up, including review finding and actions taken, plus procedural information (such as the percentage of loans reviewed, basis for elected loans, and who performed the review) for a period of three years. These records must be made available to HUD on request.

N. The MAP Lender will periodically review and update the QC Plan.

5. Specific Requirements of a Quality Control Plan

A. For the MAP Underwriting Function.

1. The QC Plan must address how quality control is integrated into the MAP Lender's production process. For example, before they send the AE&C analyst and the appraiser out to do a review they should hold a pre-performance meeting. The pre-performance meeting is an important first step to document how the lender is enforcing their quality control in the production process. During the pre-performance meeting take attendance, take minutes, record action items, and schedule a follow-up meeting when done. At a minimum the following functions must be met for a thorough review of the QC Plans as it pertains to the production process. The MAP Lender must retain in the loan file all documentation supporting any determinations of decisions made for these following functions.

2. The QC plan must address how the MAP Lender will exercise prudence and due diligence in determining whether the mortgagor is an acceptable credit risk, with a reasonable ability to make payments on the loan obligation.

3. The QC plan must address how the MAP Lender will exercise prudence and due diligence in determining that the general contractor, if applicable, is an acceptable credit risk, with a reasonable expectation of completing construction of the project.

4. The QC plan must address how the MAP Lender will exercise prudence and due diligence in determining that the property's estimated value, market need, earning capacity, operating expenses, and warranted cost of the property will be sufficiently ascertained to insure that they are sufficient for a long-term HUD insured mortgage.

5. The QC plan must address how the MAP Lender will exercise prudence and due diligence in determining that new construction/substantial rehabilitation project's design meets all applicable design standards.

6. The QC plan must address how the MAP Lender will exercise prudence and due diligence in determining that project's construction/rehabilitation/repair costs are reasonable.

7. The QC plan must address how the MAP Lender will exercise prudence and due diligence in assuring that they have not established minimum loan amounts, "floors," below which they will not lend. *Note: This is a violation of Section 535 of the National Housing Act.*

8. The QC plan must address how the MAP Lender will exercise prudence and due diligence in determining that they are in compliance with Section 2.6 of the MAP Guide dealing with prohibited identity-of-interest relationships.

9. The QC plan must address how the MAP Lender will exercise prudence and due diligence in assuring that the MAP Lender originators:

   a. Cannot:
      (1) Perform the role of underwriter for projects they originate.
      (2) Hire contractors on behalf of the underwriter.
      (3) *{Section Deleted}*

   b. Must certify for each loan conflicts-of-interest with the proposed mortgagor or other transaction participants.

10. The QC plan must stipulate that the HUD approved MAP Underwriter(s) is (are) a full time employee(s) of the MAP Lender.
11. The QC plan must address how the MAP Lender will exercise prudence and due diligence in assuring that the MAP Lender's technical staff and/or third party contractor(s) are knowledgeable of HUD's requirements. Where required by state or local law or regulation, the technical staff or third party contractor must be properly licensed in the jurisdiction where the project is located.

B. For MAP construction loan administration function.

1. The QC plan must address how the MAP Lender will exercise prudence and due diligence in determining that construction loan administration is performed in accordance with

accepted practices of prudent lending institutions and HUD's requirements.

2. The QC plan must stipulate that the HUD approved MAP construction loan administrator(s) is a full time employee of the MAP Lender.

3. The QC Plan must provide for a review of the construction loan administration function in order to:

   - Determine that construction loan administration records are promptly established after loan closing and that the servicing records contain the information necessary to properly service the loan.
   - Determine that inquiries from borrowers concerning their individual loan accounts are promptly responded to.

6. Submission of Quality Control Plans

   The Quality Control (QC) Plan is a required exhibit in the MAP application package. Submit the QC Plan in both paper and electronic formats, e.g. pdf format or Microsoft Word. An authorized signatory of the lender must sign the original paper document. Whenever the QC Plan is revised the lender must send updated paper and electronic copies to AMCOD.

7. Quality Control Reviews

   Quality Control Reviews (QC Reviews) of the lender's MAP operation are to be performed annually. The reviews shall be written, self-contained analysis prepared by competent, knowledgeable and properly licensed professionals. The appraisal review must be prepared by a Certified General Appraiser that is competent and licensed in the appropriate jurisdiction. Cost/architectural reviewers must meet MAP experience requirements found herein. The appraisal review portion of the review is to be prepared to USPAP review standards. The underwriting and cost/A&E reviews should contain sufficient information to ascertain the level of analysis performed and the conclusions developed. The underwriting review shall provide sufficient documentation to ascertain that the reviewer has evaluated the underwriter's identification of the project strengths, weaknesses, risks and mitigants in all technical areas, as well as overall. The annual QC Review shall perform three functions:

   - Track all MAP loans presented by individual loan originators and underwriters.
   - Evaluate the lender's overall QC plan for adequacy and the lender's operation for compliance to the QC plan

- Perform audits of individual loan commitments.

A. Tracking: As a function of the annual quality control review, each lender shall track all MAP loans presented by individual loan originators and underwriters. The term loan originator includes mortgage broker, correspondent or packager.

1. Annually submit a copy of the tracking report no later than June 30th of each year to:

   US Department of Housing and Urban Development
   Asset Management and Counterparty Oversight Division
   Office of Multifamily Development
   451 7th Street SW Room 6158
   Washington, DC 20410

2. The first annual tracking report must cover the period from implementation of the MAP procedures forward regardless of where the loan originator or the loan underwriter may have worked.

3. Annual tracking reports for active underwriters include the following information:

   - FHA Number
   - Project Name (identification)
   - Initial/ Final Endorsement Dates
   - Mortgage Insurance Program
   - Original Principle Balance
   - Loan Servicer
   - Loan Status
   - Whether or not the loan has any of the following issues:
     - Waivers
     - Master Lease
     - Underserved Area
     - Criteria 5 (debt service) controlled mortgage Government subsidies (LIHTC, Section 8, etc.)

B. QC Plan Analysis: The annual QC review must evaluate the Lender's overall QC plan for adequacy. It should include an analysis of the lender's operation and for compliance to the QC plan.

1. The QC review should include an opinion as to whether the lender's QC plan proposes an

adequate system to insure that FHA underwriting requirements are followed.

2. The QC review should include an analysis as to whether or not the lender is following the plan they have proposed.
3. The QC review should include an analysis as to whether or not the lender has completed the correct number of audit reviews.
4. The QC review should include an analysis as to whether or not the lender is adequately staffed to implement the QC plan.

C. Audit Reviews:

1. The QC review shall also include Quality Control (QC) Audit reviews of individual commitments.

    a. For MAP Lenders with total commitments on 20 or more loans in the applicable year of review, QC reviews will be completed for 5% of all closed MAP loans. The maximum number of required reviews will be the lesser of 5% of all closed MAP loans or three reviews.
    b. MAP Lenders with fewer than 20 commitments in the applicable year of review will be required to perform one QC review.
    c. The required number of QC Reviews as defined above will be performed on loans with the greatest Risk Assessment Score as defined herein.
    d. Amending previous instructions, MAP Lenders will no longer be required to perform a QC review for each Section of the National Housing Act used.
    e. Amending previous instructions, MAP Lenders no longer must perform a QC review for each underwriter, so long as the minimum prescribed number of loans is reviewed. QC audit reviews shall evaluate the quality of work performed by the MAP originators, underwriters and technical staff and/or third party contractor(s).
    f. All appraisals reviewed must receive a field review. Field reviews must be performed by qualified senior staff not involved in origination or underwriting; or review appraisers employed on a contract basis.
    g. For QC audit reviews involving new construction/substantial rehabilitation, the QC review should provide an analysis as to whether or not MAP construction loan servicing policies and requirements have been met.

    Note: The review appraiser or appraisal firm working on the QC Audit Reviews cannot be used in underwriting any MAP loan. All appraisal work must be completed by a Certified General Appraiser appropriately licensed and geographically competent to operate in the appropriate jurisdiction.

2. Quality Control Ranking Factors and Review Selection

The QC Review official will assign a risk assessment score to each loan originated in the previous reporting cycle and required audit reviews will be targeted to the loans with the greatest score, concluded to therefore represent the greatest degree of risk to the Department. Points will be assigned for the following risk indicators:

- Loans that are troubled, defaulted, or assigned: 20 Points
- Mortgage amount over $15,000,000: 15 Points
- Mortgage amount over $10,000,000: 10 Points
- Mortgage amount over $5,000,000: 5 Points
- Mortgage amount over $1,000,000: 1 Point
- New Construction Loans: 15 Points
- Substantial Rehabilitation Loans: 10 Points
- Purchase Loans: 5 Points
- Refinance Loans: 1 Point
- Loans that are not typical in size (small or high number of units): 5 Points
- Loans in which Criterion 5, Debt Service, established the Maximum Loan Amount: 5 Points
- Loans underwritten by underwriters approved within the last three years: 10 Points
- Loans underwritten by underwriters with a default in the previous three reporting cycles: 10 Points
- Loans that have waivers: 5 Points
- Unsubsidized loans 5 Points
- Properties with a Master Lease: 10 Points

3. Audit Reviews of Assigned or Problem Loans.

In addition to the above review requirements, as part of the quality control review process, the originating MAP Lender must also undertake a comprehensive review and reexamination of any MAP loan it underwrote that is assigned either during construction or within *four years* after final endorsement. This must be done in all cases including those in which the MAP Lender no longer has the loan in its portfolio. The lender may initiate or HUD may direct that the review be performed. In addition to all other requirements of a QC audit review outlined herein, audit reviews of assigned loans shall include the following:

a. The review should include a timeline spanning engagement of the application to assignment of the loan. Identify the dates of pertinent actions and occurrences, such as

the date of engagement, application submission, firm commitment, initial endorsement and should identify the date of the occurrences that are concluded to have contributed to the assignment (i.e., loss of the management agent, contractor walk-off, etc.).

b. The review should include identification of all entities involved in preparing and processing the application, to include:
   1. principals of the borrower, sponsoring entity(ies), and development team members
   2. the management agent
   3. the lender's originator(s) or loan correspondent(s),
   4. the lender's underwriter(s)
   5. third party contractors that worked on the application

c. The review should include an analysis of the auditor's opinion of the probable cause of the assignment, to include identification of the pertinent contributory factors. To the extent possible, the auditor should interview the project's ownership, the originating lender's underwriter and the HUD processing center familiar with the application. Include an analysis of each party's opinion of the probable cause of default, reconciled with the auditor's opinion of the probable cause.

The comprehensive review and reexamination must include a re-underwriting of the loan given the known facts and circumstances that contributed to the assignment and the lessons learned from the assignment.

4. Loans purchased/transferred from another MAP Lender.

While not required, we encourage MAP Lenders to perform basic due diligence QC Review on any loan purchased from another MAP Lender.

8. Specific Requirements for Quality Control Audit Reviews

The purpose of individual loan reviews is to determine the accuracy and completeness of underwriting conclusions, the third party deliverables and MAP Lender documentation. The reports shall be written, self-contained analyses. The appraisal review portion of the review is to be prepared to USPAP review standards. Each portion of the review should contain sufficient information to ascertain the level of analysis performed and the conclusions developed. The underwriting review shall provide sufficient documentation to ascertain that the reviewer has evaluated the underwriter's identification of the project strengths, weaknesses, risks and mitigants in all technical areas and overall. For the underwriting portion of the analysis, at a minimum, the

following requirements must be met for QC Reviews of loans underwritten using the MAP procedures.

A. All processing and underwriting must comply with the applicable provisions of the NHA, Title 24 of the Code of Federal Regulations, the MAP Guide, and MAP FAQs.

B. All identity-of-interest certifications were properly filed. Review the loan's closing statement to determine if any inappropriate inducements or prohibited I-O-I disbursements were paid.

C. Determine whether each loan file contains all HUD required loan processing, underwriting and legal documents including supporting reports and that all required documents were provided to HUD.

D. Determine if there was a violation of the Department's prohibition of referral fees.

E. Determine if anything of value was paid directly or indirectly to any person or entity who has received any other compensation from the mortgagor, seller, builder, or any other person for services related to the transaction, or related to the purchase or sale of the mortgaged property. Exception can be made where services were actually rendered, the name of the broker is furnished, and there is no identity of interest between the mortgagee and the broker or the mortgagor and the broker, and the Hub Director has given her or his approval in writing. The broker's fee must be included on the Mortgagee Certificate.

F. Determine if staff allowed third parties to represent the MAP Lender in meeting(s) with the Hub/Program Center to discuss specific MAP projects.

G. Determine if excess and unallowable fees are being charged to mortgagors. Examples include charging discount points not disclosed on the Mortgagee's Certificate, Form HUD-2434, or at firm commitment, charging larger fees than permitted by HUD/FHA.

H. If new construction or substantial rehabilitation, did the pre-application submission include an acceptable narrative summary, summarizing the market study and extent of competition as well as describe the features of the proposal which may present problems, such as zoning, ground leases, and environmental issues.

I. Did the Lender's pre-application submission list the proposed MAP Lender reviewers? Were any proposed reviewers rejected by the Hub, and, if so, why?

J. In the application for the firm commitment, did the Lender provide a narrative analysis which discussed the characteristics of the project for which mortgage insurance was sought, presenting the reasons that the Lender recommends the loan for mortgage insurance?

K. Did the Lender's narrative analysis for the firm commitment application discuss the risk factors?

L. Did the narrative analysis for the firm commitment application properly evaluate the financial capacity and the experience in multifamily housing of the principals of the borrower?

M. If the application is for refinancing or purchase, did the narrative analysis provide a satisfactory description of the property?

N. Did the Lender's narrative analyses provide a satisfactory analysis of the market, the rents, and expenses, and the estimated rent-up costs and operating deficit?

O. For refinancing, did the Lender determine the adequacy of the reserve for replacement?

P. Did the underwriter make any changes to the appraisal or technical reports? If so, what were they, what was the justification?

Q. At the Lender's request, did the Hub or Program Center Director waive any of the MAP requirements? If so, what requirements were waived and were there justification for the waivers?

R. At the Lender's request, were any waivers requested by the Hub Director from HUD Headquarters? If so, what were the waivers requested, and was the request approved or rejected and why?

S. Did the Lender obtain the necessary certifications from the individual reviewers?

T. Did the Lender certify that the proposed loan represented an acceptable risk to the Department (Section 220, or 221d3, 221d4 or 231) or is economically sound (Section 223(f)), based upon the Lender's analysis, and that the loan complied with all FHA statutory, regulatory and administrative requirements?

U. Did the Lender prepare a Master HUD 92264 signed by the Lender's underwriter?

V. Did the Lender submit an application for a firm commitment within 120 days of the date of the invitation letter? If not, did it request an extension, providing justification for the extension request?

W. Were any changes made by the underwriter to a technical report's finding, conclusions and/or recommendations? If so, was it documented fully and supported by data.

X. Credit reports on businesses and individuals.
   a. Determine whether the loan file contains business and individual credit report(s) on the appropriate principals, sponsor, mortgagor, and general contractor, if applicable.
   b. Determine if more than one credit report was ordered on the same principal/company; and if so, whether the most current credit reports were submitted with the loan package to HUD-FHA.
   c. Determine whether any outstanding judgments shown on the credit report(s) were accompanied by an explanation and supporting documentation. If delinquent Federal debt existed, the Lender must have included a letter from the Federal agency in accordance with Section 8.3G of the MAP Guide.

Y. Determine whether verifications of deposit and trade references were sent, received and considered in the project underwriting.

Z. Determine whether all conflicting information or discrepancies were reconciled and properly documented in writing.

AA. Determine that the loan file contains a financial statement(s) on the principals, sponsor, and on the mortgagor. If the project involved new construction or substantial rehabilitation, determine if a financial statement was obtained from the general contractor.

BB. Determine that the financial statements were analyzed following generally accepted business practices to determine financial capability.

CC. Verify that the MAP Underwriter determined that the sponsor and/or general contractor had a sufficient level of experience for the type and/or size of project that was approved.

DD. Determine if all negative information about the project and individuals or entities involved in the transaction was disclosed to HUD in the underwriter's written summary.

EE. Determine if the underwriter performed due diligence quality control over the work of the MAP Lender's staff and/or third party contractors used in underwriting the project.

   a. Determine if the preparers of the forms/reports/reviews are qualified as required by the MAP guide, and have insurance, if the MAP Guide requires any.
   b. Determine if the forms/reports/reviews were prepared in the manner required by the MAP Guide and that the forms/reports/reviews are complete and accurate.
   c. Determine if the proposed loan represents an acceptable risk based on the underwriter's review and analysis.

d. Determine if the required reports and documentation flowed in a timely manner from one discipline to another.

FF. Determine that the underwriter analyzed the project's proposed management program. This includes a review of the management agent's past experience and performance to determine the agent's capacity and track record to assure that the development should be managed in a prudent, efficient and cost effective manner.

GG. Determine if the underwriter verified the professional used in the environmental review and selected by the sponsor/developer was qualified for the assigned responsibilities.

HH. Determine if the underwriter provided HUD with a narrative report and supporting documentation plus the Phase I Environmental Site Assessment (ESA) or Phase II ESA.

9. QC Reviews – Appraisal Review

For the appraisal review portion of the QC Review:

A. Determine if the appraiser was properly certified in the appropriate jurisdiction. (Temporary certifications may be acceptable so long as the appraiser meets all competency requirements).
B. Provide the review appraiser's opinion as to the completeness of the material under review.
C. For Section 220, 221(d) or 231 appraisal processing:

1. Does the appraiser meet the qualification and competence requirements outlined in the MAP Guide?

2. Is the appraisal a narrative self-contained report that is inclusive of and supportive of all required HUD Form Documentation (HUD-92264, HUD-92264-A, HUD-92273 and HUD-92274)?

3. Does the appraisal have an effective date within 120 days before the date of firm commitment?

4. Does the appraisal include the appraiser's USPAP required certification?

5. Did the primary appraiser designated by the lender and approved by HUD perform the property inspection and sign the appraisal report and supporting form documentation?

6. Did the appraisal include photographs of the subject, the comparable sales and comparable rentals?

7. Does the appraisal adequately describe and analyze the geographic area, neighborhood, rental competition, sales comparables, the site and the subject improvements?

12. Does the appraisal establish the project's "Replacement Cost" in accordance with Chapter 7, Section 7.4 of the MAP Guide, and Form HUD-92264 instructions?

13. Substantial Rehabilitation – Does the appraisal include a supplemental HUD 92264 that identifies the "As Is" Value of the improvements, supported by the income and direct sales comparison approaches, as defined in HUD Handbook 4465.1 and the MAP Guide?

14. New Construction – Does the appraisal identify the "Warranted Price of Land" as defined in HUD Handbook 4465.1 and the MAP Guide?

15. Does the appraisal identify the "Estimate of Market Rent by Comparison," as of the appraisal date, arrayed in the included HUD-92273 and as defined in the Form's instructions?

16. Does the appraisals identify the project's estimated potential gross income and stabilized occupancy ratio in the included HUD-92264 and defined in the Form's instructions?

17. If commercial facilities are located within the project, does the appraisal include a separate analysis of the effect the commercial space will have on the project, as outlined in the MAP Guide; and does the commercial space meet the income and floor area limitations outlined in the MAP Guide?

18. If any comparables have rent concessions, did the appraisal account for them in the market rental analysis as defined in the MAP Guide?

19. Does the appraisal identify the project's estimated operating expenses, based upon at least three expenses comparables arrayed in the included HUD-92274, and as defined in the Form's instructions?

20. Does the appraisal properly update the expense comparables, meet disclosure requirements for the comparables, and has the subject property's expenses been updated to the date of the appraisal per Form HUD 92274 instructions?

21. Does the appraisal identify the estimated operating deficit and replacement reserve requirements, as defined and outlined in the MAP Guide?

22. Does the appraisal provide an estimation of the maximum insurable mortgage by completing a Trial Form HUD-92264-A?

D. For Section 223(f) appraisal processing:

1. Does the appraiser meet the qualification and competence requirements outlined in the MAP Guide?

2. Is the appraisal a narrative self-contained report that is inclusive of and supportive of all required HUD Form Documentation (HUD-92264, HUD-92264-A, HUD-92273 and HUD-92274)?

3. Does the appraisal have an effective date within 120 days before the date of the submission of the application for a firm commitment?

4. Does the appraisal include the appraiser's USPAP certification?

5. Did the primary appraiser designated by the lender and approved by HUD perform the property inspection and sign the appraisal report and supporting form documentation?

6. Did the appraisal include photographs of the subject, the comparable sales and comparable rentals?

7. Does the appraisal adequately describe and analyze the geographic area, neighborhood, rental competition, sales comparables, the site and the subject improvements?

8. Does the appraisal establish the project's fair market value supported by reconciliation of the cost, income and sales comparison approaches in accordance with Chapter 7, Section 7.4 of the MAP Guide and Form HUD-92264 instructions?

9. Does the appraisal establish a total estimated replacement cost and apply all applicable

forms of depreciation for use in the final reconciliation process?

10. Does the appraisal identify the "Warranted Price of Land" as defined in HUD Handbook 4465.1 and the MAP Guide?

11. Does the appraisal identify the "Estimate of Market Rent by Comparison," as of the appraisal date, arrayed in the included HUD-92273 and as defined in the Form's instructions?

12. Does the appraisal include the current rent roll, a statement of current occupancy and does it identify the project's estimated potential gross income and stabilized occupancy ratio in the included HUD-92264 and defined in the Form's instructions?

13. If commercial facilities are located within the project, does the appraisal include a separate analysis of the effect the commercial space will have on the project, as outlined in the MAP Guide; and does the commercial space meet the income and floor area limitations outlined in the MAP Guide?

14. If any comparables have rent concessions, did the appraisal account for them in the market rental analysis as defined in the MAP Guide?

15. Does the appraisal present at least three years of historic expenses, and have the forecasted expenses been based upon the historic operation of the property supported by at least three expense comparables arrayed in the included HUD-92274, and as defined in the Form's instructions?

16. Does the appraisal properly update the expense comparables, meet disclosure requirements for the comparables, and has the subject property's expenses been updated to the date of the appraisal per Form HUD-92274 instructions?

17. If it is applicable, does the appraisal identify the estimated operating deficit and replacement reserve requirements, as defined and outlined in the MAP Guide.

18. Does the appraisal provide an estimation of the maximum insurable mortgage by completing a Trial Form HUD-92264-A?

10. Market Study Review

For the Market Study review, the review appraiser should provide his opinion as to the completeness of the material under review, and determination of overall compliance with market study processing requirements:

A. Does the market analyst meet the qualification and competence requirements outlined in the MAP Guide?

B. Is the market study a narrative self-contained report?

C. Does the market study have an effective date within 120 days before the date of submission of the pre-application, or, with refinancing, within 120 days of submission of the application for a firm commitment?

D. Does the market study adequately describe and analyze the geographic boundaries and general characteristics of the market area, specific market conditions, characteristics of projects under construction and in the planning stages, and contain a supply and demand estimate and analysis and estimated absorption time (if applicable)?

E. Is the market study prepared in accordance with the information supplied by the MAP lender described in Appendix 4 of the MAP Guide?

F. Is the market study prepared in accordance with the format prescribed in the appropriate MAP Guide Appendix?

G. Does the market study include the market analyst's certification?

H. Review appraiser's opinion as to the adequacy and relevance of the data and the propriety of any adjustments to the data.

I. Review appraiser's opinion as to the appropriateness of the analysis methods and techniques used.

J. Review appraiser's opinion as to the analyses, opinions, and conclusions.

11. Architectural Review

A. For the Architectural portion of the QC Review of audits of Sections 220, 221(d) or 231, Lender's Architectural Analyst Review Report:

1. Has the Architectural Analyst determined that the Mortgagor's Architect (or other persons or organizations providing architectural services) is qualified to provide the design services to the project and to administer the construction contract?
2. Owner-Architect Agreement (AIA Document B108). (Indicate if separate Agreements are required for design and construction services.)

   a. Are all necessary services included without deletion?
   b. Is compensation other than fixed fee?

3. Architectural Standards. Does the Lender's Architectural Analyst review report address:

   a. HUD Minimum Property Standards
   b. Applicable Building Codes
   c. Accessibility Laws:
      - Fair Housing Act
      - UFAS (if Part 504 is applicable)
   d. Energy Efficiency

4. Does the report address the mortgagor's A&E exhibits?

   a. Are drawings and specs complete and correct?
   b. Is utility service available?

5. Experience and qualifications of general contractor:

   a. Did the Lender's architectural analyst prepare a written review of the general contractor?
   b. Does the review indicate acceptance?

6. Identity of Interest review: Did the Lender's architectural analyst perform an Identity of Interest review as described here below?

   a. Is there a description of any and all identities of interests that exist between the owner's architect or engineer, the owner, and the general contractor?

b. Is there a description of any and all identities of interest that exist between the general contractor, subcontractor(s) and material supplier(s)?

c. If no identities of interest exist, is this stated?

7. Site visit: Does report address:

   a. Physical features (existing construction, topography, drainage, etc.).
   b. Unusual site conditions, demolition, offsite construction.
   c. Environmental conditions/hazards.

8. Establish an Architectural Liaison with the mortgagor's Architect:

   a. Is there a processing record of architectural/engineering actions?
   b. Is there an acceptable journal of architectural actions?
   c. Is there an organized file of HUD applications, forms, and documents?
   d. Is there a record of meetings and contacts with the mortgagor's Architect?
   e. Is there clear documentation?

9. Liaison with HUD labor relation staff:
   Did the liaison verify the applicable Davis-Bacon wage rates?

10. Establish a liaison with Lender's cost analyst:

11. Review of Firm Commitment architectural/engineering exhibits:

   a. Is there a clear and complete exhibit review list?
   b. Is there a statement indicating that:
      (i). Firm Commitment architectural exhibits are acceptable without condition, and
      (ii) All deficiencies have been acceptably corrected?

   c. Does report address:
      (i) Completeness of contract documents?
      (ii) Conformance to local building codes and HUD standards?
      (iii) Accessibility for persons with disabilities?
      (iv) Site design?
      (v) Building design?

12. Preparation of architectural portions of Form HUD-92264:

    a. Is there a Form HUD-92264 with all architectural portions complete?
       - Section A – Architectural portions
       - Section B - Architectural portions
       - Section C - Unit breakdown with net areas
       - Section D - Architectural portions
    b. Has the architectural analyst signed the form?

13. Report to the Lender's Underwriter:

    a. Has the architectural analyst submitted a report on the project to the Lender's underwriter?
    b. Does the report contain an analysis of the project?
    c. Does the report recommend:
       Acceptance?
       Negotiated changes with the mortgagor?
       Rejection?

14. Standard Certification:

    Did the Lender's architectural analyst submit a Standard Certification (MAP Section 11.2.M)?

15. Mortgagor's Architect's Certification:

    Is there a Design Architect's Certification (MAP Appendix 5N)?

16. Substantial Rehabilitation projects:
    a. Has the Lender's architectural analyst submitted a report of the Joint Inspection?
    b. Does the report indicate that a complete and thorough inspection was conducted?
       On all features of the project site
       On sufficient living units
    c. Has the Lender's architectural analyst prepared a report on the mortgagor's Architect's Detail Work Write-up?
    d. Does the report address:
       All general work requirements?
       Specific work requirements?
       Clarity or vagueness of work requirements?

Historic requirements?

e. Has the Lender's architectural analyst indicated whether there are engineering Reports?
f. Has mortgagor been notified of requirements?
g. Has exact nature of engineering report been covered?
h. Any special tests?
i. Seismic resistance in applicable seismic zones?

B. Sections 223(f) - Lender's Architectural Analyst review report:

1. Liaison with Lender's cost analyst:
   Is there documentation of contacts regarding:
   - Nature and cost of repairs?
   - Replacement reserve items?

2. Lender review of Project Capital Needs Assessment (PCNA):

   a. Does Physical Inspection Report (PIR) address:
      - Adequacy of number of dwelling units inspected?
      - Condition of project?
      - Repair Work Write-up?
        - o Critical repairs
        - o Non-critical repairs
      - Expected component replacement and major maintenance needs?
        - o Near Term
        - o Long Term
        - o Remainder
      - Compliance with accessibility laws (for projects built after 3/13/1991)?

   b. Does Statement of Resources and Needs address:
      - Review and possible adjustment to the PIR
      - Identification of Critical and Non-Critical Repairs

   c. Is there evidence that all Critical Repairs have been adequately completed and inspected?

3. Review of mortgagor's exhibits:
   - Has Lender's architectural analyst prepared a review report of mortgagor's exhibits?
   - Does report indicate whether exhibits are complete and correct?

4. Preparation of architectural portions of Form HUD-92264:

   a. Is there a Form HUD-92264 with all architectural portions complete?:
      - Section A – Architectural portions
      - Section B - Architectural portions
      - Section C - Unit breakdown with net areas
      - Section D - Architectural portions
   b. Has the architectural analyst signed the form?

5. Report to the Lender's Underwriter:

   a. Has the architectural analyst submitted a report on the project to the Lender's underwriter?
   b. Does the report contain an analysis of the project?
   c. Does the report recommend:
      - Acceptance
      - Negotiated changes with the mortgagor
      - Rejection

6. Standard Certification:

   Has the Lender's architectural analyst submitted a Standard Certification (MAP Section 11.2.I)

12. Cost Review

A. For the Cost Review of Sections 220, 221(d) or 231 - Lender's Cost Analyst review report:

   1. Did the Lender hire a qualified construction cost estimator with experience in multifamily cost estimating?

   2. A detailed independent cost estimate must provide:

      a. Documentation of the method of estimation and data source.
      b. To be summarized on Form HUD-92326:
         - Detailed structure(s) and land improvement cost estimates, and costs of unusual site development
         - Contractor's General Requirements
         - Contractor's General Overhead

- Contractor's Profit (for non-BSPRA cases)
- Architect's Design and Supervision fees
- Bond Premium and Mortgagor's and Contractor's
- Other Fees
- Onsite demolition costs
- Offsite improvements costs
- Project's Cost Not Attributable (CNA) to dwelling use
- For sub rehab projects, complete Rehab CNA Worksheet (MAP Appendix 6C).

3. Preparation of cost portions of Form HUD-92264:

   a. Is there a Form HUD-92264 with all cost portions completed?
      - Section G – Cost portions
      - Section M
   b. Has the cost analyst signed the form?

4. Review of Form HUD-2328, Contractor's and/or Mortgagor's Cost Breakdown:

   a. Is HUD-2328 complete and signed by all parties?
   b. Has Lender's cost reviewer prepared a comparison of Form HUD-2328 and the independent cost estimate on Form HUD-92326?
      - Line item comparison on Form FHA-2331-B
      - Written documentation of resolution of significant differences in
      - Lender's HUD-92326 and contractor's HUD-2328 cost estimates.
      - Has Lender's cost reviewer prepared a written recommendation of approval or disapproval of contractor's HUD-2328?

5. Property Insurance Schedule, Form HUD-92329:

   a. Has the Lender's cost analyst prepared and signed Form HUD-92329?
   b. Is there a backup worksheet indicating how the Insurable Value(s) of the project structure(s) were determined?

6. Identity of Interest Review:

   a. Has Lender's cost reviewer been supplied with Identity of Interest information by Lender's architectural reviewer?
   b. For an identified general contractor:

- Does the cost estimate indicate "BSPRA" under Builder's Profit?
- Has the 50-75% rule been applied to determine whether the contractor qualifies for general overhead and profit or BSPRA, or should it be replaced by the dominant subcontractor?

c. For Identified subcontractors and/or material suppliers:
- Is there documentation that the Identity of Interest subcontract(s) were submitted for prior approval of overhead and profit?
- If any subcontract(s) were not submitted, has overhead and profit been deleted from the accepted contract amount?
- Have letter(s) of approval/disapproval been prepared for the mortgagor and general contractor?

7. Report to Lender's Underwriter:

a. Has the cost analyst submitted a report on the project to the Lender's underwriter?
b. Did the report contain an analysis of the project costs?
c. Did the report recommend?
- Acceptance
- Negotiated changes with the mortgagor
- Rejection

8. Standard Certification:

a. Did the Lender's cost analyst submit a Standard Certification (MAP Section 11.2.M)?

9. Substantial Rehabilitation projects:

a. Joint Inspection Report and Architect's Detail Work Write-up:
- Does the Lender's cost analyst have a copy of the Joint Inspection report?
- Does the Lender's cost analyst have a copy of the mortgagor's Architect's Detail Work Write-up?
- Do the Joint Inspection Report and Architect's Detail Work Write-up include Reserve for Replacement (R4R) items?
  - o Is there an itemized breakdown of R4R items?
  - o Does the breakdown indicate the age and remaining useful life of the R4R items?

b. Detailed Cost Estimate:
Does the Lender's cost analyst's detail cost estimate clearly reflect all the scope of work items in the Detail Work Write-up?

c. Reserve for Replacement estimate:
- Has the Lender's cost analyst provided an R4R cost estimate?
- Is the R4R cost estimate itemized and incorporate the remaining useful life for the R4R items?
- Is there a replacement schedule for the R4R items?

B. Section 223(f):

1. Qualifications of Lender's Cost Analyst and Needs Assessor are acceptable?

2. Liaison with Lender's architectural analyst:
Is there documentation of contacts regarding the PCNA?

3. Summary of cost estimate for hypothetical "as new" building:

a. Documentation of method of estimation and data source.
b. Summary "bottom-line" cost estimate:
- Structure(s) and land improvement cost estimates, for hypothetical "as new" building:
- Contractor's General Requirements
- Contractor's General Overhead
- Contractor's Profit
- Architect's Design and Supervision fees
- Bond Premium and Mortgagor's and Contractor's Other Fees

4. Preparation of cost portions of Form HUD-92264:
a. Is there a Form HUD-92264 with all cost portions complete?
- Section G – Cost portions (hypothetical "as new" costs)
- Section M must be blank.
- Are Critical Repair costs and Non-Critical Repair costs summarized in Section O?
b. Has the cost analyst signed the form?

5. Review of Project Capital Needs Assessment (PCNA). Did the Lender's cost analyst prepare a written report reviewing:
a. Cost portions of Project Inspection Report (PIR):
- Cost of Critical repairs
- Cost of Non-critical repairs
For all deferred non-critical repairs, estimate the required escrow amount.

b. Expected cost of expected component replacement and major maintenance needs for:

- Near term
- Long term
- Remainder

c. Statement of Resources and Needs recommending:
- Initial Deposit to the Reserve for Replacement, if any
- Annual (or monthly) deposit to the Reserve for Replacement
- Near Term replacement schedule indicating annual deposits, itemized expenditures, and remaining funds at the end of each year.

6. Documented advice to Lender concerning the PCNA:
Lender's cost analyst must provide opinions and recommendations for acceptance or change to PCNA regarding cost items:
- Critical and Non-critical repairs
- Funding schedules in Near Term, Long Term and Remainder items in the Reserve for Replacement account

7. Property Insurance Schedule, Form HUD-92329:
a. Has the Lender's cost analyst prepared and signed Form HUD-92329?
c. Is there a backup worksheet indicating how the Insurable Value(s) of the project structure(s) were determined?

8. Report to Lender's Underwriter:
a. Did the cost analyst submit a report on the project to the Lender's underwriter?
b. Does the report contain an analysis of the PCNA?
c. Does the report recommend?
- Acceptance
- Negotiated changes with the mortgagor
- Rejection

9. Standard Certification:
Has the Lender's cost analyst submitted a Standard Certification (MAP Section 11.2. I)

13. Construction Loan Administration

The QC Review of construction loan administration must, at a minimum, meet the following requirements.

A. Analyze loans for general compliance with HUD-FHA construction loan administration requirements found in the MAP Guide and MAP Frequently Asked Questions.

B. Analyze escrow administration to assure that the escrows are properly funded and that the funds are only used for their intended purposes.

C. Analyze procedures for collection and recordation of payment receipts; escrow bills; disbursements from escrow; and claim submissions.

D. Analyze procedures that were use for handling letters-of credit.

E. Analyze procedures that were use for handling the investment of construction loan escrows.

F. Analyze the procedures for processing construction loan advances, change orders and notification of surety, cost certifications, and post endorsement escrows.

G. Analyze delinquent loans and loans in foreclosure to determine compliance with HUD-FHA fiscal requirements and procedures such as timely assignments and extension requests, property preservation requirements and inspections.

H. Review claim submissions on projects that have not reached final endorsement to assure that all efforts have been exhausted to "work-out" the loan and that all claims are properly documented, supported, and filed in accordance with HUD-FHA requirements.

14. Independence of Quality Control Reviews

A. The Quality Control function must be independent of the origination and servicing functions. This independence may be accomplished in a number of ways. Quality control functions may be performed by using:

1. In-house staff. Lenders may establish a unit that is dedicated solely to Quality Control. Staff performing Quality Control must not be involved in the day-to-day Processes that they are reviewing.
2. Outside firms. MAP Lenders may use knowledgeable outside independent firms to assist in the performance of the QC Reviews.

B. The outside source must use the MAP Lender's QC Plan in completion of the annual QC review.

C. Services provided by an outside firm must comply with the Department's quality control requirements, and must provide written reports to the MAP Lender's senior management. The MAP Lender will be responsible for ensuring these requirements are met.
D. The firm working on the QC Reviews cannot be used in underwriting MAP loans.
E. Certified Public Accounting (CPA) firms may work on the QC Review. This would be considered non-audit services. However, the same CPA firm cannot provide auditing services for that MAP Lender based on Government Auditing Standards, issued by the U.S. General Accounting Office, since the CPA firm will be reviewing its own work in part, which is a violation of the Independence standard of the Auditing Standards.
F. Any agreement with the outside firm must be in writing, state the roles and responsibilities of each party, and be available for review by HUD staff.

15. Change in MAP Participation Status

A. To maintain its MAP eligibility, the Lender must comply with its QC Plan and the underwriting, monitoring and servicing requirements of MAP on a continuous basis.
B. Failure to comply with these requirements may result in revocation of MAP privileges and/or other administrative sanctions.

B. Identity of Interest (IOI) Definitions

1. Borrower: Includes, but is not limited to, the Borrower, its principals, and its affiliates.
2. Borrower's Counsel: Includes, but is not limited to: any attorney or support staff employees who are a partner, member, or employee of the law firm. Applies to firms and solo practitioners.
3. Family Relationship/ Family Members: Includes, but is not limited to: spouses, parents, brothers, stepbrothers, sisters, stepsisters, sons, stepsons, daughters, stepdaughters, legally adopted sons or daughters (including children who are placed with a parent by an authorized agency for legal adoption), foster children, grandparents, aunts, and uncles.
4. Financial Interest: The term includes any current or contingent ownership, equity, or security interest in real or personal property or a business. It also includes indebtedness or a compensated employment relationship.
5. Gift: A gift includes any gratuity, favor, discount, entertainment, hospitality, loan, forbearance, or other item having monetary value. It includes services as well as gifts of training, transportation, local travel, lodgings, and meals. Gifts can be provided in-kind, by purchase of ticket, payment in advance, or reimbursement after the expense has occurred.
6. MAP Lender: A MAP Lender includes the lender's officers, directors, partners, principals,

stockholders, affiliates, affiliate's officers, affiliate's principles, or any contract employees working on a particular affiliate or principal's MAP application.

7. Prohibited Source: A prohibited source means any person who: (1) is seeking official action by HUD, (2) does business or seeks to do business with HUD, (3) conducts activities regulated by HUD; (4) has interests that may be substantially affected by performance or nonperformance of the employees official duties, or (5) is an organization a majority of whose members are described in (1) through (4). It also includes any people who have a family relationship with the prohibited sources.

C. Identity Of Interest (IOI) Examples

1. MAP Lender and Borrower's Team
   - **A.** *Example 1:* The Borrower's spouse is an employee of the MAP Lender. A prohibited IOI is created.
   - **B.** *Example 2:* The Management Agent is owned by the Borrower. A prohibited IOI is not created, but the IOI must be disclosed.
   - **C.** *Example 3:* The General Contractor has an ownership interest in the Borrower. A prohibited IOI is not created. The relationship must be disclosed, whether or not the loan includes BSPRA (versus Builder Profit).
   - **D.** *Example 4:* A principal of the Borrower owns 1,000 shares of a large publicly traded bank at $50 per share. A subsidiary of the bank is acting as the MAP Lender. The Borrower inherited the stock, and it has been in his family for 30 years. This is not consider ed an IOI as the ownership interest is de minimus.
   - **E.** *Example 5*: A MAP Lender recommends an attorney to borrowers (as borrower counsel) to facilitate closing because of their familiarity with HUD requirements. The attorney has represented the Lender on other transactions. This is not an IOI, unless the attorney is also advising the Lender on this transaction, or has a direct financial or family relationship with, or is, an employee or principal of the Lender.

2. Secondary Financing Relationships
   - **A.** An affiliate of a MAP Lender made a loan to an equity partner secured by partnership interests in a property that will be refinanced using an FHA loan. The equity partner in the property to be refinanced has an ownership interest in an unrelated commercial real estate venture in which a principal of the MAP lender also has an ownership interest. There is an identity of interest; a different MAP Lender must be used to originate, underwrite, and close the loan.
   - **B.** A Bank Holding Company who is an affiliate of the MAP Servicing Lender wants to offer a borrower a Letter of Credit to meet the cash requirements of a Multifamily FHA insured mortgage. This creates a conflict of interest; during the construction period, the lender's

responsibility is representing FHA, not providing credit to meet borrower equity requirements.

3. Bridge Loans and Balance Sheets

A. *Example 1:* An affiliate of a MAP Lender did a short term loan to a borrower on a deal with a CAP rate of 3 in a strong market. Market crashed, cap rates went up dramatically, and vacancy rates skyrocketed; the Borrower was not able to pay the debt off when it matured and it was extended indefinitely with a high interest rate and unpaid amounts accruing. The MAP Lender has a vested interest in the valuation and thus has an identity of interest. Assuming the size of the loan is deminimis in comparison to the lenders overall business, it would not be a prohibited IOI. The MAP Lender must disclose the relationship in the underwriting and particular attention will be paid to the valuation.

B. *Example 2:* MAP Lender gave a bridge loan to a Borrower because the underlying debt matured during the period they were negotiating the engagement for the MAP application. The bridge loan has an 85% LTV and provided cash out to the Borrower. This would be considered a prohibited IOI since the loan would circumvent the 80% cash out requirement.

C. *Example 3:* MAP Lender gave a bridge loan to a Borrower because the underlying debt matured during the period they were negotiating the engagement for the MAP application. The bridge loan has an 85% LTV. This amount was based on the balance of the previous indebtedness (above the amount of owner cash invested) needed to purchase the property. This would be considered a prohibited IOI since the owner did not take cash out from the previous transaction.

4. Tax Credit Syndicator or Investor Relationship

5. Identity of Interest Servicing

6. Inducements

A. *Example 1:* An IOI is created when there exists or comes into being any side deals, agreements, contracts, or undertakings entered into or contemplated, which would amend, alter, or cancel any of the required closing documents, except as approved by the Secretary.

7. Gifts. A prohibited IOI may exist and must be disclosed.

A. *Example 1:* A bill at dinner celebrating a closing would not be considered a prohibited gift that could create an IOI so long as the amount of the bill was customary and typical.

B. *Example 2:* A Non-Profit Borrower is considering proposals for refinancing their transactions. A MAP Lender gives a board member of a Non-Profit Borrower an expensive Swiss wrist watch and so the Borrower decides that particular lender seems to be the most eager to represent their interests and is offering the best financing option. HUD would conclude this is a prohibited inducement and creates a Conflict of Interest.

C. *Example 3:* For Christmas, a MAP Lender gives a Borrower a $20 gift card to a sporting goods

store. The Borrower gives the MAP Lender a box of golf balls with their company logo on it. The MAP Lender and the Borrower have been friends for 20 years, and they often go on golfing trips together with their families. There is an exemption for gifts that are clearly demonstrated to be based on a longstanding or purely personal relationship, which would appear to be the situation here. Factors to be considered are: the reciprocal nature of the relationship, timing, and whether the amounts involved are typical of social relationships outside of the industry.

8. Charitable Donations

A. *Example 1:* A $10,000 donation given by the MAP Lender to a charity run by the wife of a principal in the Borrower's entity around the time of a project's engagement or closing, would be presumed to create a prohibited IOI. The MAP Lender would have to prove that such an IOI does not exist.

B. *Example 2:* A MAP Lender donated $5,000 to a charity run by the borrower 10 years ago. An IOI would likely not be created.

C. *Example 3:* A Map Lender donates money to a charitable foundation researching health care or seniors aging issues. A Non-profit Borrower has a substantial interest in the foundations and its work. The lenders contributions were $2,000 each of the past four years. The lender intends to continue such donations. Such a contribution would not be a prohibited IOI.

D. *Example 4:* A MAP Lender donated $100,000 to a museum. The MAP Lender made no prior donations to the museum. The museum is a charitable organization in which a principal of the Borrower or one of their close relations has an active and significant participation as a volunteer, board member, or donor. This would be presumed to create a prohibited inducement and a Conflict of Interest, and the MAP Lender would have to prove it does not exist.

Appendix 3
Summary of Program Specifications and Limitations

A. Specifications and Limitations by Program

New Construction/Substantial Rehabilitation				
SOAs	220	221(d)(4)	231	241(a)
Minimum # of Units	5	5	8	5
Criteria 3	90% - for projects with 90% or greater rental assistance; 87% - for projects meeting the Affordable Housing definition 85% - for market rate projects.		Same as Section 220 except for Sub Rehabs which will be the applicable percentage applied to rehabed VALUE.	90% (1.11 DCR)
Criteria 4	Where percentages are required, enter the same percentage applied under Criteria 3. See Chapter 8 for complete details and the MF Housing website: http://www.hud.gov/offices/hsg/mfh/hicost/hicost.cfm			
Criteria 5	90% (1.11 DCR) – for projects with 90% or greater rental assistance 87% (1.15 DCR) – for projects that meet the Affordable Housing definition 85% (1.176 DCR) - for market rate projects.			90% (1.11 DCR)
Underwritten Residential Physical Occupancy (excluding bad debt)	The lesser of 93% or that indicated by market for market rate loans or LIHTC properties with any percentage of units set aside but without a 10% discount to market Up to 97% for projects with 90% or more Section 8, or 90% of the units set aside as LIHTC and attainable rents at least 10% discount to market; up to 95% for loans with 80% or more LIHTC units and attainable tax credit rents at a 10% discount to market.			
Underwritten Commercial Physical Occupancy	The lesser of 80% or that indicated by market.			
Appraised Commercial Physical Occupancy	The lesser of 80% or that indicated by market.			

Commercial Space Limit	25%	25%	25%	25%
Commercial Income Limit (% of effective Gross Income)	30%	15%	15%	15%
Special Restrictions	Age Restricted Projects Not Eligible for Section 220		BSPRA/SPRA is not available for Section 231 Sub Rehab cases.	BSPRA/SPRA is not available.
HUD Application Fee	$3.00 per $1,000 of required mortgage amount. For market rate projects, one half of the application fee is due with at pre-application and the other half is due with the application for Firm Commitment. For affordable projects the entire amount is paid at the Firm Commitment.			
HUD Inspection Fee	$5 per thousand of the mortgage amount for new construction $5 per thousand of improvement costs for substantial rehabilitation.			
Maximum Lender Fees and Charges	3.5% of the mortgage amount. can consist of any combination of origination, financing, and permanent placement fees as long as it also includes the lender's legal fee. Financing and placement fees up to 5.5% are permissible in bond transactions. Third party costs (e.g., appraisal, market study, PCNA, and other organization costs) may be included as mortgageable soft costs in the mortgage calculations, and are not included in the limitation on lender fees.			

Refinance/Acquisitions			
SOAs	223(f) Refinance	223(f) Acquisition	223(a7)
Minimum # of Units	5	5	8 for Section 231, 5 for all other programs
Criteria 3	90% - for Section 202 & 202/8 direct loans refinance and projects with 90% or greater rental assistance 87% - for projects meeting the Affordable Housing Definition and have a 10% rent advantage 85% - for market rate projects or LIHTC projects without a 10% advantage.		Not applicable.
Criteria 4	Where percentages are required, enter the same percentage applied under Criteria 3. See Chapter 8 for complete details and the MF Housing website: http://www.hud.gov/offices/hsg/mfh/hicost/hicost.cfm		
Criteria 5	90% of NOI (1.11 DCR) - for Section 202 & 202/8 direct loans and for projects with 90% or greater rental assistance; 87% of NOI (1.15 DCR) - for projects that meet the definition of Affordable Housing and for which the achievable Tax Credit rents are at least 10% below market rents; or 85% of NOI (1.176 DCR) - for market rate projects or Tax Credit projects without a significant rent advantage (i.e. the achievable rents are at least 10% below	The loan is limited to the lesser of the original principal balance, the existing indebtedness plus transaction costs, or a loan that can be supported by 90% of NOI (95% for projects with greater than 90% Project-Based Rental Assistance).	

	market.)			
Underwritten Residential Physical Occupancy (excluding bad debt)	The lesser of 93% or that indicated by market for market rate loans or LIHTC properties with any percentage of units set aside but without a 10% discount to market. Up to 97% for projects with 90% or more Section 8 or 90% of the units set aside as LIHTC and attainable rents at least 10% discount to market; up to 95% for loans with 80% or more LIHTC units and attainable tax credit rents at a 10% discount to market.			
Appraised Residential Physical Occupancy	Based upon operating history and prevailing market conditions.			
Underwritten Commercial Physical Occupancy	The lesser of 90%, the actual occupancy rate of the of the subject or that indicated by market.			
Appraised Commercial Physical Occupancy	Based upon operating history and prevailing market conditions.			
Commercial Space Limit	25%	25%	25%	25%
Commercial Income Limit (% of Effective Gross Income)	20%	20%	20%	20%
Special Restrictions		Repairs limited to two systems or total rehabilitation not to exceed $15,000 multiplied by the high cost factor for the geographic area.		No cash out – repairs limited to $1,500 per unit
HUD Application Fee	$3.00 per $1,000 of required mortgage amount. For market rate projects, one half of the application fee is due with at pre-application and the other half is due with the application for Firm Commitment. For affordable projects the entire amount is paid at the Firm Commitment.			
HUD Inspection Fee	$5 per thousand of the mortgage amount for new construction and $5 per thousand of improvement costs for substantial rehabilitation.			
Maximum Lender Fees and Charges	3.5% of the mortgage amount. can consist of any combination of origination, financing, and permanent placement fees as long as it also includes the lender's legal fee. Financing and placement fees up to 5.5% are permissible in bond transactions. Third party costs (e.g., appraisal, market study, PCNA, and other organization costs) may be included as mortgageable soft costs in the mortgage calculations, and are not included in the limitation on lender fees.			

B. Developer Fees by Program

1. Section 223(f) Program

DEVELOPER FEES – SECTION 223(f)				
Development Type	**Basis for Fee Calculation**		**Amount**	**Mortgageable/ Non Mortgageable**
Market	N/A		N/A	Not Mortgageable
LIHTC	Allocation Agency Allowed Fee		Agency Fee Limit	Mortgageable
LIHTC PILOT	Allocation Agency Allowed Fee		Agency Fee Limit	Mortgageable
RAD - Non LIHTC	Total Budget	(Note 1)	10%	Mortgageable
RAD - LIHTC	Allocation Agency Allowed Fee		Agency Fee Limit	Mortgageable
202 Refinance - Non LIHTC	Total Acceptable Development	(Note 2)	15%	Mortgageable
202 Refinance - LIHTC	Allocation Agency Allowed Fee		Agency Fee Limit	Mortgageable
202 Re-Refinance - Non LIHTC	N/A		N/A	Not Mortgageable
202 Re-Refinance - LIHTC	Allocation Agency Allowed Fee		Agency Fee Limit	Mortgageable

NOTE 1 - Fee is based on total budget amount (not including acquisition, reserves or developer fee).

NOTE 2- Acceptable Development cost includes cost of acquisition, rehabilitation, loan prepayment, reserves and transaction costs.

NOTE 3 - For Section 236 or other assisted, non LIHTC Projects, follow general guidelines for developer fee for both 223(f) and 221(d)(4) loan programs.

NOTE 4 - The 223(a)(7) program prohibits a developer fee in all cases.

2. New Construction/Substantial Rehabilitation Programs

DEVELOPER FEES – NC/SR				
Development Type	**Basis for Fee Calculation**	**Amount**		**Mortgageable/ Non Mortgageable**
Market/For Profit Owner	BSPRA	10%	(Note 1)	BSPRA is Mortgageable
Market/ Non-profit Owner as Single Asset Mortgagor Entity	Mortgage Amount	8%	(Note 2)	Mortgageable
LIHTC	Allocation Agency Allowed Fee	Agency Fee Limit		Mortgageable (so long as no BSPRA or SPRA)
RAD - Non LIHTC	Total Budget	10%	(Note 3)	Mortgageable
RAD - LIHTC	Allocation Agency Allowed Fee	Agency Fee Limit	(Note 4)	Mortgageable
202 Rehab - Non LIHTC	Total Acceptable Development Cost	15%	(Note 5)	Mortgageable
202 Rehab – LIHTC	Allocation Agency Allowed Fee	Agency Fee Limit		Mortgageable
202 Rehab- 2nd Refinance Non LIHTC	N/A	0%		N/A
202 Rehab-2nd Refinance LHITC	Allocation Agency Allowed Fee	Agency Fee Limit		Non-Mortgageable

General Note: For purposes of this Matrix, NC/SC includes the 221(d)(4), 220, 231 NC and 241(a) mortgage insurance

NOTE 1 - BSPRA is specified in statute and based on total development costs (not including acquisition cost). Use is limited to a for profit borrower or a non-profit sponsor with a for profit controlled borrower.

NOTE 2 - Development Fee is based upon 8% of the mortgage but not less than $40,000 nor more than $400,000. The total fee may be increased to 2% of loan above $5M. (Notice H 96-63). This calculation also applies to a non-profit borrower under the 231SR program.

NOTE 3 - Fee is based on total budget amount (not including acquisition, reserves or developer fee.

NOTE 4 - Per ML 2012-20, Section IV.N.3, for sub rehab projects with an IOI between Borrower and GC, Developer Fee is interchangeable with BSPRA. Projects can use one or the other but not both.

NOTE 5 - Acceptable Development cost includes cost of acquisition, rehabilitation, loan prepayment, reserves and transaction costs.

NOTE 6 - For Section 236 Projects, or other assisted, on LIHTC projects, follow general guidelines for developer fee for both 223(f) and 221(d)(4) loan programs.

C. MAP Guide Senior Housing Waiver Certification Form

U.S. Department of Housing
and Urban Development
Office of Housing
Federal Housing Commissioner

Certification of Compliance with the Fair Housing Act
(For use only in conjunction with age restrictions in FHA-insured properties)

Applicant must check appropriate options (*i.e.*, For a refinance, 1; For substantial rehabilitation, 2):

1. Refinance

_____ If the application is for a refinance loan, Owner/Borrower certifies that the housing identified in the application for FHA-insured financing is not required by a HUD program to provide housing to non-elderly persons (including children and persons with disabilities), and meets all elderly and/or age use restrictions imposed by the relevant federal, state or local program. In addition, Owner/Borrower certifies that the housing is operated consistent with the Fair Housing Act, 42 U.S.C. §§ 3601-3619, and its regulations, 24 C.F.R. parts 100 and 103. Owner/Borrower does not discriminate based on race, color, religion, national origin, sex, or disability. Owner/Borrower is operating the housing as housing for older persons, as defined in the Fair Housing Act, 42 U.S.C. § 3607(b)(2), allowing it to exclude families with children under the age of 18. Owner/Borrower certifies that the housing in its entirety is:

_____ Intended and operated for occupancy by persons 55 years of age or older, pursuant to 42 U.S.C. § 3607(b)(2)(C); 24 C.F.R. § 100.304-100.307, for at least 3 years, specifically:

(i) at least 80% of the occupied units are occupied by at least one person who is 55 years of age or older, pursuant to 42 U.S.C. § 3607(b)(2)(C)(i); 24 C.F.R. § 100.305; and

(ii) the housing facility or community publishes and adheres to policies and procedures that demonstrate the intent to be housing for persons 55 years or older, pursuant to 42 U.S.C. § 3607(b)(2)(C)(ii); 24 C.F.R. § 100.306; and

(iii) the housing facility or community complies with HUD's rules for verification of occupancy, including conducting and maintaining a record of reliable surveys and affidavits at least once every two years showing that at least 80% of the occupied units are occupied by at least one person who is 55 years of age or older, and producing such surveys and affidavits upon request, pursuant to 42 U.S.C. § 3607(b)(2)(C)(iii); 24 C.F.R. § 100.307.

2. Substantial Rehabilitation

_____ If the application is for a substantial rehabilitation loan, Owner/Borrower certifies that the housing identified in the application for FHA-insured financing is not required by a HUD program to provide housing to non-elderly persons (including children and persons with disabilities), and meets all elderly and/or age use restrictions imposed by the relevant federal, state or local program. In addition, Owner/Borrower certifies that the housing is operated consistent with the Fair Housing Act, 42 U.S.C. §§ 3601-3619, and its regulations, 24 C.F.R. parts 100 and 103. Owner/Borrower does not discriminate based on race, color, religion, national origin, sex, or disability. Owner/Borrower operates the housing as housing for older persons, as defined in the Fair Housing Act, 42 U.S.C. § 3607(b)(2), allowing it to exclude families with children under the age of 18. Owner/Borrower certifies that the housing in its entirety is:

_____ Intended and operated for occupancy by persons 55 years of age or older, pursuant to 42 U.S.C. § 3607(b)(2)(C); 24 C.F.R. § 100.304-100.307, for at least 3 years, specifically:

(i) at least 80% of the occupied units are occupied by at least one person who is 55 years of age or older, pursuant to 42 U.S.C. § 3607(b)(2)(C)(i); 24 C.F.R. § 100.305; and

(ii) the housing facility or community publishes and adheres to policies and procedures that demonstrate the intent to be housing for persons 55 years or older, pursuant to 42 U.S.C. § 3607(b)(2)(C)(ii); 24 C.F.R. § 100.306; and

(iii) the housing facility or community complies with HUD's rules for verification of occupancy, including conducting and maintaining a record of reliable surveys and affidavits at least once every two years showing that at least 80% of the occupied units are occupied by at least one person who is 55 years of age or older, and producing such surveys and affidavits upon request, pursuant to 42 U.S.C. § 3607(b)(2)(C)(iii); 24 C.F.R. § 100.307.

***(Type or clearly print the following information)*:**

Owner/Borrower_____

Project Name:_____

Location of the Project:

_____

_____

_____

Section of the Act under which FHA Insurance is sought: _____

BY: Signature: _____

_____ Authorized Agent

_____ Title

Date: _____

Warning: Any person who knowingly presents a false, fictitious, or fraudulent statement or claim in a matter within the jurisdiction of the U.S. Department of Housing and Urban Development is subject to criminal penalties, civil liability, and administrative sanctions.
***(Type or clearly print the following information)*:**

D. Senior's Housing, Age-Restricted, and Fair Housing Act Occupancy Guidance

GLOSSARY

TERM	DEFINITION for Guidance Purposes
Mixed-Population	An occupancy scheme allowing for heads of household who are either 62 years of age or older or non-elderly persons with disabilities. Used in the context of the age threshold eligibility waiver for FHA refinancing.
Elderly	A general term referring to persons or households headed by persons who are over age 55 or 62, depending on the context of the reference.
"62+ HOH"	Refers specifically to households in which at least one person is or must be age 62 or older and may include children. Properties operating under statutes or regulations defining "elderly family" as 62+HOH cannot discriminate against families with children in their admission and occupancy policies. "HOH" refers to "head of household" as shorthand, but should be understood to encompass a head, co-head, or spouse member of the family, any of which are age 62 or older.
62+ age-restriction and "62+"	Refers to restrictions imposed by statute or regulation that define "elderly person" as a person who is 62 years of age or older, whereas the term "62+ HOH" refers to the applicable definition of "elderly family." When used in the guidance, these terms are merely meant to convey that the applicable age restriction is 62 years of age or older without conveying whether the property in question may discriminate against children in admission and occupancy policies.
"55+"	Refers specifically to properties or occupancy schemes that intend to limit eligibility to households that meet the requirements of the Fair Housing Act's exemption for persons age 55 and older. See pp. 2 and 11-13 of the Guidance.

E. Uniform Relocation Assistance and Real Properties Policies Act of 1970

The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, 42 USC Sec. 4601 et seq, as amended, (URA) is a Federal law that establishes minimum standards for federally-funded programs and projects that include the acquisition of real property (real estate) and/or displace persons from their homes, businesses, or farms as a result of acquisition, rehabilitation, or demolition[1]. The URA implementing Federal regulations can be found at 49 CFR Part 24. Project-Based Rental Assistance (PBRA) and Project-Based Vouchers (PBV) are considered Federal Financial assistance for purposes of the URA. As a result, the URA may apply to acquisitions of real property and relocation of persons from real property that occurs as a direct result of acquisition, rehabilitation or demolition for a project that involves PBRA, PBV or other Federal Financial assistance.

While there are no URA statutory provisions for "temporary relocation", the URA regulations recognize that there are circumstances where persons will not be permanently displaced but may need to be moved from a project for a short period of time. For example when tenant occupants are required to temporarily relocate in connection with the project covered by the URA, the temporarily occupied housing must be provided decent, safe and sanitary. They must also be reimbursed for all reasonable out-of-pocket expenses in connection with the temporary relocation, including moving expenses and increased housing expenses. Additionally, any tenant who has been temporarily relocated for a period beyond one year must be contacted by the displacing agency and offered URA permanent relocation assistance. Appendix A of the URA regulation (49 CFR 24.2(a)(9)(ii)(D)) provides additional information and detail on temporary relocation under the URA. Some HUD program regulations provide additional protections for temporarily relocated tenants.

Section 104(d) of the Housing and Community Development Act of 1974

Section 104(d) of the Housing and Community Development Act of 1974, 42 USC 5304(d), as amended (Section 104(d)), is a Federal law that applies when a lower-income dwelling is demolished or converted (as conversion is defined in accordance with 24 CFR 42.305) to a use other than lower-income housing in connection with a Community Development Block Grant Program (CDBG) or HOME Investment Partnership Program (HOME) funded activity. In addition, under Section 104(d), a lower-income person

[1] For additional guidance, see HUD Handbook 1378 Tenant Assistance, Relocation, and Real Property Acquisition), available at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/library/relocation/policyandguidance/handbook1378

is considered displaced and, therefore eligible for Section 104(d) relocation assistance if the person permanently moves from real property or permanently moves personal property from real property as a direct result of the demolition or conversion of a lower-income dwelling to a use other than lower-income dwelling unit in connection with a CDBG or HOME funded activity. The Section 104(d) one-for-one replacement housing requirements may apply with respect to occupied and vacant occupy-able lower-income dwelling units that are demolished or converted to a use other than lower-income dwelling units in connection with CDBG or HOME funded activity. Section 104(d) implementing regulations can be found at 24 CFR Part 42, Subpart C. Additional HUD policy and guidance for Section 104(d) is available in HUD Handbook 1378 – Tenant Assistance, Relocation and Real Property Acquisition, Chapter 7.

Project owners should ensure compliance with URA, Section 104(D) requirements as applicable, in addition to any other applicable HUD program requirements pertaining to displacement, relocation and acquisition. Additional information and guidance on URA and Section 104(d) matters is available on HUD's Acquisition and Relocation website at www.hud.gov/relocation.

HUD's Office of Community Planning and Development (CPD) has overall Departmental responsibility for compliance with URA and Section 104(d) requirements, in accordance with their delegations of authority. HUD Multifamily Underwriting and Asset Management staff should review relocation plans, and consult with CPD if assistance is needed in connection with URA and/or Section 104(d) matters. HUD Multifamily Underwriting and Asset Management staff should contact the local CPD Regional Relocation Specialist (RRS) responsible for the geographic area where the project is located. A list of CPD's RRS is available in the Contacts section of HUD's Acquisition and Relocation web site at: www.hud.gov/relocation.

Appendix 4 Application Processing Documents

General Discussion and Concept Meetings

Appendix 4 addresses application exhibits for Section 223(f) and the various New Construction / Substantial Rehabilitation Programs. All Pre-application and Firm Commitment applications must be submitted electronically, with an original hardcopy, and one additional hardcopy with mortgage credit exhibits and documents subject to Privacy Act (e.g. Social Security numbers) separately bound.

Concept meetings are referenced in Chapter 4. Additional guidance is anticipated in order to standardize our practice between HUD Offices as part of the transformation. Feedback is requested.

A. Section 223(f) for Refinance or Purchase of Existing Apartments Checklists

I. Concept Meeting Exhibits for Section 223(f) proposals are:

- Section of the Act
- Number of market rate and affordable units
- Projected mortgage amount
- Mortgage term and estimated remaining economic life
- Refinance or acquisition
- Basic information on developer and principals
- Management company
- Previous HUD experience
- Geographic location with map
- Photographs of the subject and immediate surroundings
- Actual and effective property age / class
- Physical condition (PCNA not required)
- Prior/proposed renovations (per unit cost)
- Discuss eligibility for Section 223(f) versus substantial rehabilitation

- Amenities
- Existing debt/cash out
- Current occupancy (physical/economic)
- Income and expenses
- Discuss green/sustainability issues as appropriate
- Discuss general market conditions, competitive properties and comparables
- Environmental issues
- Actual/potential risks and mitigating factors
- Any anticipated waiver requests

Additionally, the lender should complete Form HUD-92013, "Application for a Multifamily Housing Project" to the extent possible.

II. Application for Firm Commitment Exhibits

A. Application Submission Overview

Each application must have a complete original hard copy, an additional two-volume hard copy with mortgage credit information separately bound, and one electronic submission of the entire application. The hard copies of the application should be bound in three ring binders, not more than three-inches wide. Hard copy exhibits must be tabbed per the numbering protocol on the checklist below. Electronic submissions must follow the specific naming conventions described below. Exhibits specified within this checklist that are not applicable should be noted "N/A" in the appropriate column and with a corresponding filler page placed within the hard copy.

B. File Naming

In order to ensure functionality of the electronic submission, lenders must use the specific naming conventions *as shown* in the checklist. These naming conventions are indicated in [brackets] on the attached Application Checklist for each item. Those items without [brackets] are to be submitted in hard copy (e.g. Alta survey). In order to comply with SharePoint (SP) standards and maintain maximum functionality, please note the following file naming rules:

- Use no more than 40 characters
- Please avoid using special characters (e.g. \ / : * ? " < > | # { } % ~ &)
- Avoid adding the assigned FHA number in the file name
- Avoid using spaces. Rather use an underline or dash

For example: Instead of "Tab 01-Lender Narrative 171-22000" at 39 characters, use a shorter naming convention such as "01-LndrNarr" at only 11 characters.

C. Application Checklist

Project Name:	***Project Name*** **-**	Corrected Version 11/23/2015
Project Number:		

Section 223(f)

Multifamily Acquisition/Refinance

Firm Application Checklist and Loan Directory Structure

Application Checklist Instructions

This checklist is to be used for multifamily 223(f) acquisition and refinance MAP and TAP applications. Exhibits specified within this checklist that are not applicable should be noted "N/A" in the appropriate column and a filler placed within the application package labeled "NA". Type a lowercase "a" to make a Check Mark in the 'N/A' and 'Incl.' columns.

Each application must have a complete original hard copy.

- ✓ One additional copy of the application in the following format:
  - A separately bound mortgage credit package;
  - A copy without the non-disclose credit information; and
- ✓ An electronic submission of the underwriting file, exhibits and third-party reports on a disc or a removable drive.

Use one or more three-inch accordian file folder(s) to package the original and hardcopy application.

For Each exhibit within the original and copy, use tabbing per the numbering protocol on the following checklist, (Tab1-1, 1-2, 1-3, etc.).

Each electronic submission must follow the specific naming conventions described in the Loan Directory Structure.

Loan Directory Structure Instructions

As noted, a copy of the loan application must be submitted in electronic format. In order to standardize and facilitate access and functionality of the electronic submission, we request Lenders to use the specific naming conventions inserted in the checklist. **The naming conventions are listed in the File Name column for each item.**

- ✓ Use no more than 40 characters when naming files.
- ✓ Please avoid using special characters \ / : * ? " < > | # { } % ~ & as part of the file name.
- ✓ Avoid adding the assigned FHA number in the file name, it only adds characters.
- ✓ Avoid using spaces. Use either an underline _ or dash - to separate words and numbers.

For example: Instead of: Tab 01-Lender Narrative 171-22000 33 characters

Using a shorter naming convention: 1-2A_**LndrNarr** *only 13 characters*

Tab.	Item/Exhibit Firm Application Checklist			
No.	**Item**	**File Name**	**N/A**	**Incl.**
Section 1: Underwriting				
1-1.	A. Check – FHA Application Fee; 0.3% of Mortgage Amount/$3.00 per $1000.00	Check	☐	☐
	B. Transmittal Letter	TrsLtr	☐	☐
	C. Completed Firm Application Checklist	FirmChkLst	☐	☐
1-2.	A. Lender's Underwriting Narrative (WORD/PDF version)	LndrNarr	☐	☐
	B. Identity of Interest disclosure	IOIDis	☐	☐
	C. FHA Summary Report (Excel file)	FHARpt	☐	☐
1-3.	Lender's Underwriting HUD Forms ***(signed and dated by the Lender)***			
	A. HUD-92013 ***(Optional)*** and 92013-E, as applicable	92013	☐	☐
	B. Lender's version HUD-92264 Multifamily Summary Appraisal Report	Lndr92264	☐	☐
	2. Listing of Mortgagor's Other Fees	MtgrOtherFee	☐	☐
	C. HUD-92264-A, Supplement to Project Analysis	92264A	☐	☐
1-4.	Waiver Requests			
	A. Request for waivers FormHUD – 2	HUD2	☐	☐
	B. Supporting documentation	HUD2Doc	☐	☐
Section 2: Third Party Reports				
2-1.	Appraisal Report, with supporting forms (Appraiser Version)	Appraisal	☐	☐
2-2.	Market Study, if required/applicable for volatile/soft markets	MktRpt	☐	☐
2-3.	Environmental Review			
	A. Phase I Environmental Site Assessment (ESA) [Phase1]	PhaseI	☐	☐
	B. Environmental Report	Env. Report	☐	☐
	C. Phase II ESA (if applicable) [Phase2]	PhaseII	☐	☐
	D. Specialty reports, as applicable	Pest, Mold, etc	☐	☐
2-4.	Project Capital Needs Assessment			
	A. PCNA Report	PCNA	☐	☐
	B. Plans and Specs, if required	PlnSpec	☐	☐
	C. Relocation Plan, if applicable	ReloPlan	☐	☐

Section 3: Management Agent				
3-1.	A. Organizational Chart, Identity of Interest ONLY	MgmtOrgCht	☐	☐
3-2.	HUD Management Forms			
	A. Resume of Management Agent including schedule of managed properties	MgmtRes	☐	☐
	B. HUD-9832, Management Entity Profile	9832	☐	☐
	C. HUD- 9839, A, B or C Certifications	9839	☐	☐
	D. Management Plans and Sample Lease	MgmtPln	☐	☐
	E. Management Agreement	MgmtAgmt	☐	☐
	F. Evidence of Fidelity Bond Insurance	FidelityIns	☐	☐
	G. HUD-935.2A Affirmative Fair Housing Marketing Plan	AFHMP	☐	☐
Section 4: Property Documents				
4-1.	A. Refinance			
	1. Certification of Outstanding Obligations/ Existing Indebtedness	CertOutOb	☐	☐
	2. Pay-off statement for each obligation	PayOffStmt	☐	☐
	3. HUD Prepayment Authorization Letter (9807)	9807	☐	☐
	B. If Acquisition		☐	☐
	1. Purchase & Sale Agreement with Amendments, Extensions	SalCtrt	☐	☐
	2. Last Arm's length certification	LALStmt	☐	☐
	C. Copy of Certificate of Occupancy of Final Inspection Report	COO	☐	☐
4-2.	Title			
	A. Preliminary Title Report, disclose all liens and secured transactions	Title	☐	☐
	B. Easements and Maintenance Agreements	EaseMaintAgt	☐	☐
	1. Existing		☐	☐
	2. Proposed		☐	☐
	C. ALTA/ACSM Land Title Survey and form HUD-91073M Surveyor's Report	SurvRpt	☐	☐
	D. Location Maps and Photographs	Maps	☐	☐
4-3.	Evidence of Zoning Compliance (Evidence of conforming standards and local jurisdictional inspections)	Zoning	☐	☐
4-4.	Miscellaneous property documents			
	A. Current certified Rent Roll within 90 days	CrtRentRoll	☐	☐
	B. Master Lease info, if applicable	Mstlease	☐	☐
	C. Evidence of Site Control	SiteCtrl	☐	☐
	D. Report from official re: private sewer/water	WtrSwr	☐	☐
	E. Section 8 HAP Contract and Rent Schedule, if applicable	HAP	☐	☐
	F. Land Lease	GndLse	☐	☐
4-5.	Commercial Space and Income Calculations	CmlLse	☐	☐
4-6.	Evidence of Real Estate Tax Abatement/Exemption	TaxAbtExp	☐	☐

Section 5: Mortgage Credit (separately bound)				
5-1.	Organizational Chart	OrgCht	☐	☐
	A. List of Principals	Princs	☐	☐
	B. Resumes	Res	☐	☐
5-2.	Organizational Documents (as applicable)			
	Articles of Incorporation, Partnership Agreement, Articles of Organization	OrgDocs	☐	☐
5-3.	A. Consolidated Certification Borrower (Form HUD-91070M) Statement	ConsolCert	☐	☐
	B. Lender's Byrd Certificate (24 CFR Part 87, Lobbying Disclosure)	LndrByrdCert	☐	☐
5-4.	Nonprofit Mortgagor			
	A. Form HUD-3433, Eligible Nonprofit	3433	☐	☐
	B. Form HUD-3434	3434	☐	☐
	C. Form HUD-3435	3435	☐	☐
	D. Detailed explanation of motivations for project	Motive	☐	☐
	E. Housing Consultant Contract, as applicable	HsgConK	☐	☐
5-5.	Previous Participation Certification			
	A. APPS Baseline or Certification or Form HUD-2530 (For all Principals)	APPS	☐	☐
5-6.	Credit Reports			
	A. Credit report: Mortgagor, Principals, IOI Management Agent	CrdtRpt	☐	☐
	B. Verification of Cash to Close (estimate via bank statements)	VOD	☐	☐
	C. Verification of EIN/SSN	EIN	☐	☐
	D. Form HUD-92013-Supplemental	92013S	☐	☐
5-7.	Mortgagor/Property Financial Statements			
	A. Audited/Certified Financial Statements for Past Three Years	MtgrFinStmt	☐	☐
	B. Certified YTD Financial Statement w/Supporting Schedules within 90 days of submission	MtgrYTD	☐	☐
	C. CPA Review of most recent unaudited Financial Statements	CPAReview	☐	☐
5-8.	Controlling Principal(s) Financial Statements			
	A. Certified YTD Financial Statement w/Supporting Schedules within 90 days of submission	PrinYTD	☐	☐
	B. Audited/Certified Financial Statements for Past Three Years (For individuals, just a current Certified Financial Statement or HUD-92417)	PrinFinStmt	☐	☐
	C. REO & Maturing Debt Schedule	REO_Debt	☐	☐
	D. Other Business Concerns	BusConcerns	☐	☐
5-9.	Other Funding Sources: Grants/Loans/Tax Credits, if applicable			
	A. Commitment Letter	CmtLTR	☐	☐
	B. If Tax Credits, equity amount and pay-in schedule	TCEqSch	☐	☐
	C. Tax Credit Reservation, executed copy	TCRes	☐	☐
	D. Source and Use Statement	SUStmt	☐	☐
	E. HUD-2880, Applicant/Recipient Disclosure/Update Report	2880	☐	☐
	F. Bridge Loan Agreements	Bridge	☐	☐
	G. Subsidy Layering Review	SLR	☐	☐
	H. Draft Partnership and/or Operating Agreement, if applicable	LPA, OpAgmt	☐	☐

B. New Construction and Substantial Rehabilitation - Sections 220, 221(d)(4), 231, and 241(a)

I. Concept Meeting Exhibits for New Construction and Substantial Rehabilitation Proposals are the following:

- Section of the Act
- Number of market rate and affordable units
- Projected mortgage amount
- Basic information on developer and principals
- Management company
- General contractor
- Previous HUD experience
- Geographic location with map
- Photographs of the subject and immediate surroundings
- Site improvements (existing/proposed)
- Commercial component – discuss potential tenants
- Amenities
- Community / city / state support
- Green / sustainability Issues
- Development status (e.g., have any permits/approvals been obtained?)
- Discuss general market conditions, competitive properties and comparables
- Environmental issues
- Potential risks and mitigating factors
- Any anticipated waiver requests

Additionally, the lender should complete Form HUD-92013, "Application for a Multifamily Housing Project" to the extent possible.

II. Pre-application and Application for Firm Commitment Exhibits

A. Application Submission Overview

Each application must have a complete original hard copy, an additional two-volume hard copy with mortgage credit information separately bound, and one electronic submission of the entire application. The hard copies of the application should be bound in three ring binders, not more than three-inches wide. Hard copy exhibits must be tabbed per the numbering protocol on the checklist below. Electronic submissions must follow the specific naming conventions described

below. Exhibits specified within this checklist that are not applicable should be noted "N/A" in the appropriate column and with a corresponding filler page placed within the hard copy.

B. File Naming

In order to ensure functionality of the electronic submission, lenders must use the specific naming conventions *as shown* in the checklist. These naming conventions are indicated in [brackets] on the attached Application Checklist for each item. Those items without [brackets] are to be submitted in hard copy (e.g. Alta survey). In order to comply with SharePoint (SP) standards and maintain maximum functionality, please note the following file naming rules:

- Use no more than 40 characters
- Please avoid using special characters (e.g. \ /: * ? " < > | # { } % ~ &)
- Avoid adding the assigned FHA number in the file name
- Avoid using spaces. Rather use an underline or dash

For example: Instead of "Tab 01-Lender Narrative 171-22000" at 39 characters, use a shorter naming convention such as "01-LndrNarr" at only 11 characters.

C. Application Checklist

Project Name:	***Project Name -***	Corrected Version 11/23/2015
Project Number:		

New Construction/Sub Rehab Sections 220, 221(d) 3, 221(d) 4, 231, and 241(a)

Multifamily New Construction/Substantial Rehab

Application Checklist and Loan Directory Structure

Application Checklist Instructions

This checklist is to be used for multifamily new construction and substantial rehabilitation applications. Exhibits specified within this checklist that are not applicable should be noted "N/A" in the appropriate column and a filler placed within the package labeled "NA". Type a lowercase "a" to make a Check Mark in the "N/A" and "Incl." columns.

Each application must have a complete original hard copy.

- ✓ One additional copy of the application in the following format:
  - A separately bound mortgage credit package;
  - A copy without the non-disclose credit information; and
- ✓ An electronic submission of the underwriting file, exhibits and third-party reports on a disc or a removable drive.

Use one or more three-inch accordian file folder(s) to package the original and hardcopy application.

For Each exhibit within the original and copy, use tabbing per the numbering protocol on the following checklist, (Tab1-1, 1-2, 1-3, etc.).

Each electronic submission must follow the specific naming conventions described in the Loan Directory Structure.

Loan Directory Structure Instructions

As noted, a copy of the loan application must be submitted in electronic format. In order to standardize and facilitate access and functionality of the electronic submission, we request Lenders to use the specific naming conventions inserted in the checklist. **The naming conventions are listed in the File Name column for each item.**

- ✓ Use no more than 40 characters when naming files.
- ✓ Please avoid using special characters \ / : * ? " < > | # { } % ~ & as part of the file name.
- ✓ Avoid adding the assigned FHA number in the file name, it only adds characters.
- ✓ Avoid using spaces. Use either an underline _ or dash – to separate words and numbers.

For example: Instead of: Tab 01-Lender Narrative 171-22000 33 characters

Use a shorter naming convention: 1-2A_**LndrNarr** *only 13 characters*

Tab. No.	Item/Exhibit Firm ☐ Pre-Application ☐ Item	File Name	N/A	Pre-App	Incl.
Section 1: Underwriting					
1-1.	A. Check – FHA Application Fee; 0.3% of Mortgage Amount/$3.00 per $1000.00				
	(0.15%/$1.50 per $1000.00 at pre-app. - balance at Firm App.)	Check	☐	x	☐
	B. Transmittal Letter	TrsLtr	☐	x	☐
	C. Completed Application Checklist	PreChkLst	☐	x	☐
		FirmChkLst	☐	☐	☐
1-2.	A. Lender's Underwriting Narrative (WORD/PDF version)	LndrNarr	☐	x	☐
	B. Identity of Interest Disclosure	IOIDis	☐	x	☐
	C. FHA Summary Report (Excel file)	FHARpt	☐	x	☐
1-3.	Lender's Underwriting HUD Forms ***(signed and dated by the Lender)***				
	A. HUD-92013 ***(Optional)*** and 92013-E, as applicable	92013	☐	x	☐
	B. Lender's version HUD-92264 Multifamily Summary Appraisal Report	Lndr92264	☐	☐	☐
	1. Operating Deficit Calculation	IODCalc	☐	☐	☐
	2. Listing of Mortgagor's Other Fees	MtgrOtherFee	☐	☐	☐
	3. Listing of Contractor's Other Fees	GCOtherFee	☐	☐	☐
	C. HUD-92264-A, Supplement to Project Analysis	92264A	☐	☐	☐
1-4.	Waiver Requests				
	A. Request for Waivers Form HUD – 2	HUD2	☐	x	☐
	B. Supporting Documentation	HUD2Doc	☐	x	☐
	C. Section 220 only, provide evidence of eligibility	220Elig	☐	x	☐
Section 2: Third Party Reports					
2-1.	Appraisal Report, with supporting forms (Appraiser Version)	Appraisal	☐	☐	☐
	Forms HUD-92273, HUD-92274, HUD-92264T (if applicable)	AppraisalForms	☐	x	☐
2-2.	Market Study	MktRpt	☐	x	☐
2-3.	Environmental Review				
	A. Phase I Environmental Site Assessment (ESA)	PhaseI	☐	x	☐
	B. Environmental Report	EnvReport	☐	x	☐
	C. Phase II ESA (if applicable)	PhaseII	☐	x	☐
	D. Specialty Reports, as applicable	Pest, Mold,	☐	x	☐
2-4.	Architectural & Cost Analysis				
	A. Arch/Cost Analyst Report	AEReview	☐	☐	☐
	B. Engineer & Specialty Reports	EngSpRpt	☐	☐	☐
2-5.	Relocation Plan, Other Reports, as necessary	ReloPlan	☐	x	☐

Section 3: Management Agent					
3-1.	A. Organizational Chart, Identity of Interest ONLY	MgmtOrgCht	☐	☐	☐
3-2.	HUD Management Forms				
	A. Resume of Management Agent including Schedule of Managed Properties	MgmtRes	☐	☐	☐
	B. HUD-9832, Management Entity Profile	9832	☐	☐	☐
	C. HUD- 9839, A, B or C Certifications	9839	☐	☐	☐
	D. Management Plans and Sample Lease	MgmtPln	☐	☐	☐
	E. Management Agreement	MgmtAgmt	☐	☐	☐
	F. Evidence of Fidelity Bond insurance	FidelityIns	☐	☐	☐
	G. HUD-935.2A Affirmative Fair Housing Marketing Plan	AFHMP	☐	☐	☐
Section 4: Property Documents					
4-1.	A. If Purchase:				
	1. Purchase and Sale Agreement	PSAgmt	☐	x	☐
	2. Amendments or Extension Agreements to Purchase and Sale Agreement	AEPSAgmt	☐	☐	☐
	B. Last Arm's Length Certification				
	1. Purchase Contract or Settlement Statement	LALStmt	☐	x	☐
	C. Section 8 HAP Contract and Rent Schedule, if applicable	HAP	☐	☐	☐
4-2.	Title				
	A. Preliminary Title Report, disclose all liens and secured transactions	Title	☐	☐	☐
	B. Easements and Maintenance Agreements	EaseMaintAgt			
	1. Existing		☐	☐	☐
	2. Proposed		☐	☐	☐
	C. ALTA/ACSM Land Title Survey and form HUD-91073M, Surveyor's Report	SurvRpt	☐	☐	☐
	D. Location Maps and Photographs	Maps	☐	x	☐
4-3.	Evidence of Zoning Compliance (Evidence of conforming standards and local jurisdictional inspections)	Zoning	☐	☐	☐
4-4.	Municipal services and other utility assurance letters	UtilityLtrs			
	A. Electricity	Elect	☐	☐	☐
	B. Natural Gas or Oil	Gas	☐	☐	☐
	C. Telephone	Phone	☐	☐	☐
	D. Cable Television	Cable	☐	☐	☐
	E. Water and Sewer Service	WtrSwr	☐	☐	☐
	F. Garbage Collection	Trash	☐	☐	☐
	G. Storm Sewer	StormSwr	☐	☐	☐
4-5.	Commercial Space and Income calculations	CmlLse	☐	x	☐
4-6.	Land Lease	GndLse	☐	x	☐
4-7.	Evidence of Real Estate Tax Abatement/Exemption	TaxAbtExp	☐	☐	☐

Section 5: Mortgage Credit (separately bound)					
5-1.	Organizational Chart	OrgCht	☐	☐	☐
	A. List of Principals	Prins	☐	x	☐
	B. Resumes	Res	☐	x	☐
	C. General Contractor Resume or AIA A305	GCRes	☐	☐	☐
5-2.	Organizational Documents (as applicable)				
	Articles of Incorporation, Partnership Agreement, Articles of Organization	OrgDocs	☐	☐	☐
5-3.	A. Consolidated Certification Borrower (Form HUD-91070M) Statement	ConsolCert	☐	☐	☐
	B. Lender's Byrd Certificate (24 CFR Part 87, Lobbying Disclosure)	LndrByrdCert	☐	☐	☐
5-4.	Nonprofit Mortgagor				
	A. Form HUD-3433, Eligible Nonprofit	3433	☐	x	☐
	B. Form HUD-3434	3434	☐	☐	☐
	C. Form HUD-3435	3435	☐	☐	☐
	D. Detailed explanation of motivations for project	Motive	☐	☐	☐
	E. Developer's Agreement	DevAgmt	☐	x	☐
	F. Housing Consultant Contract, as applicable	HsgConK	☐	☐	☐
5-5.	Previous Participation Certification				
	APPS Baseline or Certification or Form HUD-2530 (For all Principals)	APPS	☐	x	☐
5-6.	Credit Reports				
	A. Credit report: Mortgagor, Principals, IOI Management Agent	CrdtRpt	☐	☐	☐
	B. Verification of Cash to Close/WC (estimate via bank statements)	VOD	☐	☐	☐
	C. Verification of EIN/SSN	EIN	☐	☐	☐
	D. Form HUD-92013-SUPP	92013S	☐	☐	☐
5-7.	Mortgagor/Property Financial Statements				
	A. Audited/Certified financial statements for past three years	MtgrFinStmt	☐	x	☐
	B. Certified YTD financial statement w/supporting schedules within 90 days of submission	MtgrYTD	☐	☐	☐
	C. CPA Review of most recent unaudited financial statements	CPAReview	☐	☐	☐
	D. Certification of existing indebtedness	ExistingDebt	☐	☐	☐
5-8.	Controlling Principal(s) & GC Financial Statements				
	A. Certified YTD financial statement w/supporting schedules within 90 days of submission	PrinYTD	☐	☐	☐
	B. Audited/Certified financial statements for past three years (For individuals just a current certified financial statement or HUD 92417)	PrinFinStmt	☐	☐	☐
	C. REO & Maturing Debt Schedule	REO_Debt	☐	x	☐
	D. Other Business Concerns	BusConcerns	☐	☐	☐

5-9.	Other Funding Sources: Grants/Loans/Tax Credits, if applicable				
	A. Commitment letter	CmtLTR	☐	x	☐
	B. If Tax Credits, equity amount and pay-in schedule	TCEqSch	☐	☐	☐
	C. Tax Credit Reservation, executed copy	TCRes	☐	☐	☐
	D. Source and Use Statement	SUStmt	☐	☐	☐
	E. HUD-2880, Applicant/Recipient Disclosure/Update Report	2880	☐	☐	☐
	F. Bridge Loan Agreements	Bridge	☐	☐	☐
	G. Subsidy Layering Review	SLR	☐	☐	☐
	H. Draft Partnership and/or Operating Agreement, if applicable	LPA, OpAgmt	☐	☐	☐
Section 6: Construction and Architectural Documents					
6-1.	Plans and Specifications				
	A. Half-size set of Plans, under separate cover	Plans	☐	☐	☐
	B. Specification Manual	Specs	☐	☐	☐
	C. "As-is" Sketch Plans (Sub-Rehab)	SketchPlns	☐	x	☐
	D. Detailed scope of work and Architect's work write-up (Sub -Rehab)	WrkWriteUp	☐	x	☐
6-2.	State, City or County Approval of Plans	PlnApproval	☐	☐	☐
6-3.	Soils Report and Foundation Analysis	SoilRpt	☐	☐	☐
6-4.	A. HUD-2328, Contractor's and/or Mortgagor's Cost Breakdown	2328	☐	☐	☐
	B. IOI Disclosure and 50/75 percent rule disclosure	IOIDis5075	☐	☐	☐
6-5.	Furniture, Fixtures and Equipment Schedule and Budget	FFE	☐	☐	☐
6-6.	Early Commencement Documents	ErlyStrt	☐	☐	☐
6-7.	Assurance of Completion				
	A. Commitment Letter from Surety	SuretyLtr	☐	☐	☐
	B. Commitment Letter from Bank for Letter of Credit	LOCCmt	☐	☐	☐
6-8.	Owner-Architect Agreement on AIA Form B108 and HUD Amendments Include for Design and Supervisory Architects	B108	☐	☐	☐
6-9.	A. Information regarding offsite storage of approved building materials	OffSiteStg	☐	☐	☐
	B. Off-site Improvements/Construction	OffSiteImp	☐	☐	☐
6-10.	Design Architect Certification	DsgnArchCert	☐	☐	☐

C. Sample MAP Invitation Letter Format

<Date>

Mr./Ms.<Name>
<Title>
<Address>
< >
< >

Dear Mr./Ms <Name>.:

Subject: MAP Invitation Letter
Project No:<XXX-XXXXX>
Section <SOA>
<Project Name>
<City, State>

This is to inform you that our staff has reviewed the Pre-application materials for the subject proposal and finds it to be worthy of further consideration should you decide to submit a Firm Commitment application for mortgage insurance. There is a market for the proposal based upon our review of the appraisal and market study subject to updating all market assumptions before Firm Commitment. Subject to later confirmation or completion of the HUD environmental review, the site appears acceptable based on our preliminary inspection and the information provided.

In the event that you desire to continue with this project and submit an application for Firm Commitment, it is understood that the project will have the following characteristics:

Type of Unit	Sq. Ft.	Number	Monthly Market Rental
Efficiency	_____	_____	_____
One Bedroom	_____	_____	_____
Two Bedroom	_____	_____	_____
Three Bedroom	_____	_____	_____
Four Bedroom	_____	_____	_____
Total	_____	_____	_____

Equipment and Services included in the rent are:
Number of Parking Spaces: Enclosed _____ Open _____
Estimated Monthly Parking Rental $ _____
Residential Accessory Income $ _____
Commercial Area _____ sq. ft. Estimated Monthly Rental $ _____

The operating expense estimate of $_____ per unit per annum is preliminarily acceptable subject to updated and relevant data before the Firm Commitment. The total for all improvements appears to be within a reasonable range. Attached is the current wage decision for this area. Please contact the Labor Relations staff at _____ for any updates while preparing your Firm Commitment application.

Land value/as-is value will be determined at the Firm Commitment stage. Excess costs resulting from any unusual site conditions identified in the construction cost estimate at the Firm Commitment stage will be deducted from the land value fully improved (with offsite improvements installed). The HUD environmental review and environmental assessment and HUD previous participation (Form HUD-2530) will not be completed until the Firm Commitment package is submitted to HUD.

It is important to understand that this letter is not to be construed as a commitment on the part of FHA to insure a mortgage for your proposal. It is intended only to establish general agreement on the basic concept, market, rents and expenses for your proposal. If the Firm Commitment application submitted is consistent with the Pre-application submission, does not trigger the thresholds for a more extensive review, and no problems arise because of environmental or previous participation issues, HUD should be able to complete its review within the scheduled time. If there are significant changes from the concept agreed to at the Pre-application submission, HUD will need more time to complete an extensive review and will not be bound by the scheduled review time and could result in rejection of the Firm Commitment application. Significant changes would include changes in location, building type, project market, rents, unit number, unit mix or gross project area that could cause a change in income, expense and demand assumptions and/or require a new market study and HUD review.

Therefore, you are invited to submit a Firm Commitment application for mortgage insurance on Form HUD-92013, Application for Multifamily Housing Project, along with a fee of $3 (30 basis points) per thousand of the mortgage amount; or the balance of 15 basis points sfter market rate Pre-application fee, with the required MAP lender deliverables, by *<insert date 90 days after the date of the letter>*.

The lender must advise HUD in writing within 30 days of the date of this letter of invitation whether or not it plans to submit an application for the particular project. If the lender fails to notify HUD within the time required, the invitation letter expires, and the lender will be required to repeat the Pre-application process.

The application for a Firm Commitment must be submitted within 90 days of the date of the letter of invitation. The Hub or Program Center may authorize extensions of up to 120 days past this 90-day limit, but there is no requirement that the extensions be approved. The Hub or Program Center will review the circumstances reported by the lender to justify an extension of time. The lender must certify and the Hub or Program Center must determine that the request to extend beyond 120-days is not likely to change the underwriting data on which the invitation was based or to undermine the feasibility of the project due to a change in the market or other factors determined at Pre-application. Where there is justifiable cause, a request for an extension of time beyond the 120-days may be allowed. These requests must be submitted by the Hub or Program Center Director to the Director of the Office of Multifamily Development (Headquarters) or his/her designee. The authorization request must provide the additional time requested, the Hub or Program Center's recommendation, and the reasons the extension is needed.

Sincerely,

<Space for ink signature>
< >
< >
<Underwriter Name>
<Job Title>
<Office>

D. Firm Commitment Special Conditions for Tax Credit and Master Lease Applications

Add the following special conditions as they apply to applications for mortgage insurance for projects which will have equity funded from Tax Credit proceeds:

1. Equity Contribution. Provide satisfactory evidence of an agreement that binds the Investor to timely and periodically pay to the mortgagor LIHTC Equity to contribute to the completion cost, in the aggregate amounts set forth in Form HUD-2880 and HUD-92013.

2. Equity Contribution. The attached equity contribution schedule is a condition of the Firm Commitment.

3. Equity Contribution. The Initial Equity Investment, amount is $_____ {twenty percent}. This amount must be reflected on the initial requisition (Form HUD-92448) and disbursed in its entirety at Initial Endorsement.

4. Cost Certification Exemption. Since the project is exempt from providing a cost certification, prior to Final Endorsement and when the project reaches substantial completion, an income and expense statement must be submitted covering the period from first occupancy (if occupancy occurred during construction) or from the date of substantial completion (as deemed by a HUD Inspector) through the period ending three months prior to the date of the first principal payment under the mortgage, as originally scheduled. The statement must be submitted at least 30-days before the date scheduled for Final Endorsement. If the income and expense statement evidences receipt of income (excess funds) during this period, the additional funds may be deposited into the reserve for replacement account, or used for approved non-mortgageable costs or improvements as determined by the allocating State Housing Finance Agency (HFA).

5. Deferred Drawings and Specifications. This Commitment has been issued and based upon schematic drawings, instead of final drawings and specifications. At least 30-days before the scheduled date for initial endorsement, the Commissioner must receive the final drawings and specifications for review and approval to ensure consistency of design and cost. In the event that there is a net cumulative

construction cost increase or change in the design concept, or a net cumulative construction cost decrease in the amount of more than two percent (2%), this Commitment shall be subject to and conditioned upon further approval of the HUD, to be evidenced in writing, and may be terminated and voided by the HUD, or additional conditions may be imposed, at HUD's option.

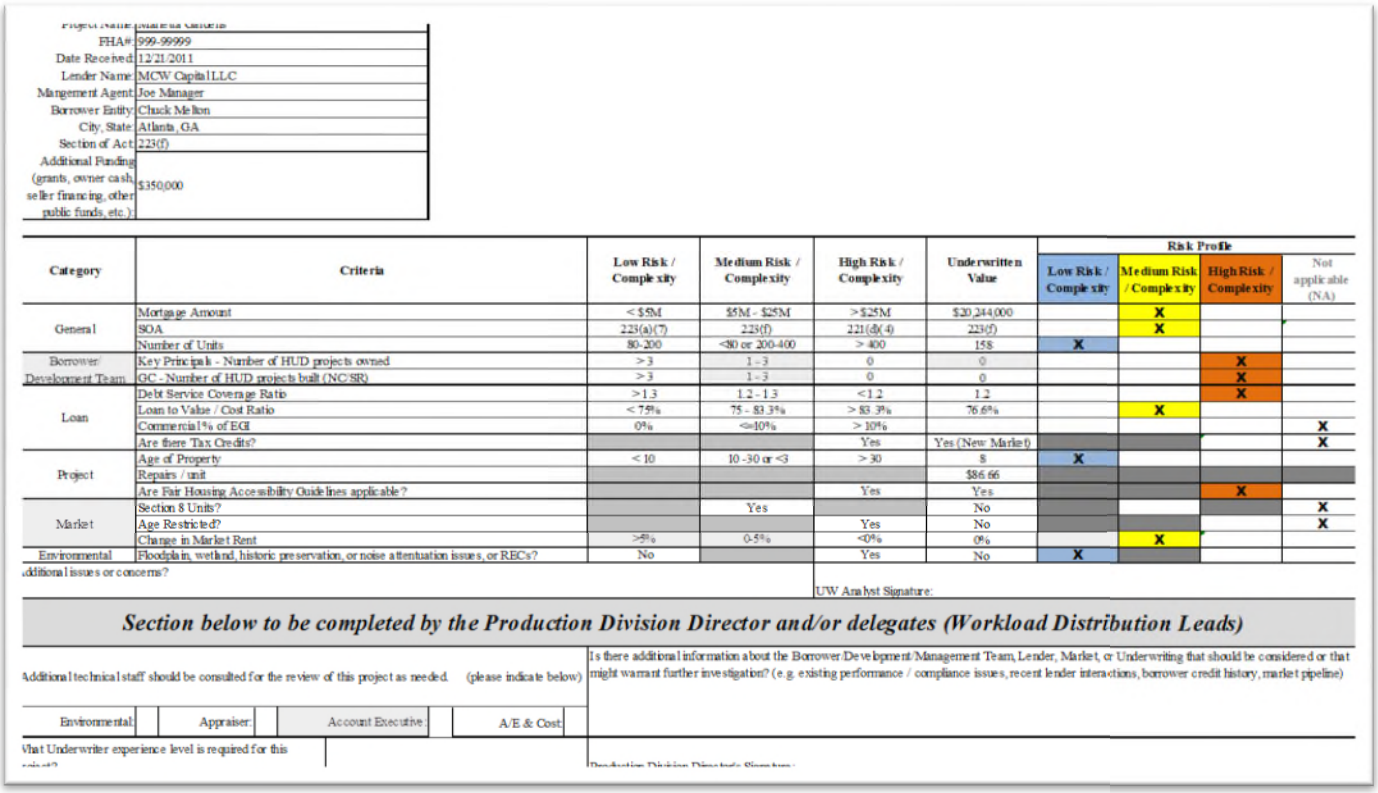
6. Master Lease. [if applicable] This commitment is subject to, and has been issued upon the reliance of, the successful (a) allocation to the project of LIHTC, Historic Tax Credits or New Market Tax Credits and (b) syndication of such credits, with an appropriate agreement for the timely infusion of equity there from, as shown on Forms HUD-2880 and HUD-92013, to assure completion of the project and pay other associated and incidental costs. In addition to the standard provisions that must be included in the organizational documents for the mortgagor entity, a provision must be added that prohibits any changes to the organizational documents that affect the obligations of the tax credit investor without the written consent of the Mortgagee and HUD.

7. Previous Participation. [if applicable] Notwithstanding the issuance of this commitment, this commitment remains subject to, and HUD's obligations hereunder are conditioned upon the satisfactory resolution, as determined by HUD, of any adverse items determined by HUD during the HUD Previous Participation review process.

E. Early Warning System

Input Description	Input	Form	Source
Name of Project	Marietta Gardens	92013	Page 1, Section A, 1
Project City	Atlanta	92013	Page 1, Section C, 2
Project State	GA	92013	Page 1, Section C, 4
Zip Code	OU812	92013	Page 1, Section C, 4
FHA# (XXX-XXXXX)	999-99999	92013	
Date Application was received	12/21/2011		*Please enter date.*
Section of Act (223a7, 223f, d4)	223(f)	92013	Page 1, Section B
Year Built	2005	92013	Page 1, Section C, 6 (Insert only year)
Single Asset Mortgagor Entity Name	Chuck Melton	92013	Page 4, Section K, 1
Numbers of Years of Ownership Entity	7	Standard UW Narrative	Underwriting summary of ownership management
Management Agent	Joe Manager	Standard UW Narrative	Executive Summary
Total Units	158	92013	Page 1, Section C, 7
Term of Mortgage in years	35	92013	Page 5, Section M, 1
Lender Name	MCW Capital LLC	92013	Page 5, Section M, "Name and Address of Mortgagee"
Proposed Mortgage Amount	$20,244,000	92013	Page 1, Section B
Interest Rate	4.000000%	92013	Page 1, Section B
Mortgage Insurance Premium Rate	0.450000%	92013	Page 3, Section G, 26
Additional Funding (grants, owner cash, seller financing, other public funds, etc.)	$350,000	92013	Page 4, Section J, 17
# of projects owned by Key Principals	0	Standard UW Narrative	Underwriting summary of Key Principals' experience and resume
GC - Number of HUD projects	0	Standard UW Narrative	Underwriting summary of General Contractor experience and resume
Tax Credit? (Yes / No)	Yes (New Market)	Standard UW Narrative	Project description or *Is it a Tax Credit Pilot project?*
Age Restricted? (Yes / No)	No	Standard UW Narrative	Underwriting summary of project. Market study.
Section 8 Units? (Yes / No)	No	Standard UW Narrative	Executive Summary
Are there any RECs? (Yes / No)	No	Standard UW Narrative	Underwriting summary, Environmental; Environmental Report.
Past year change in market rents		REIS market data	OPIIS
Required Repairs	$13,692	Standard UW Narrative	Page 2, Section I,10b.
Was the project first occupied after March 13, 1991?	Yes	92264	Page 1, Section A, 16
Estimated Residential Project Income	$2,560,344	92264	Page 4, Section F, 30a.
Estimated Ancillary Project Income	$28,420	92264	Page 4,Section F, 30b.
Residential & Ancillary Occupancy Percentage	95.00%	92264	Page 4, Section F, 30c.
Total Residential & Ancillary Project Expenses	$1,006,398	92264	Page 4, Section F, 30e.
Estimated Commercial Income		92264	Page 4, Section F, Line 32a.
Commercial Occupancy		92264	Page 4, Section F, Line 32b.
Total Commercial Project Expenses		92264	Page 4, Section F, Line 32d.
Underwritten Capitalization Rate (223f/231SR only)	5.50%	92264	Page 6, Section K, Line 3
Market Capitalization Rate (223f/231SR only)	6.25%	Appraisal	
Market Value (223f/231SR only)	$26,420,000	92264	Page 7, Section L, Line 9

Calculation	Calculation Output
Initial Curtailment Rate	**0.013133**
Annual Debt Service	**$1,166,722**
Debt Service Coverage Ratio	**1.2453**
Total Residential Potential Income	**$2,588,764**
Effective Gross Residential & Ancillary Income	**$2,459,326**
Net Operating Residential & Ancillary Income to Project	**$1,452,928**
Effective Commercial Income	
Net Commercial Income to Project	
Total Project Net Income	**$1,452,928**
Loan to Value Ratio	**76.62%**
Age of Project	**6**
Repair Cost Per Unit	**$87**



Project Name:	[illegible]
FHA#:	999-99999
Date Received:	12/21/2011
Lender Name:	MCW Capital LLC
Mangement Agent:	Joe Manager
Borrower Entity:	Chuck Melton
City, State:	Atlanta, GA
Section of Act:	223(f)
Additional Funding (grants, owner cash, seller financing, other public funds, etc.):	$350,000

Category	Criteria	Low Risk / Complexity	Medium Risk / Complexity	High Risk / Complexity	Underwritten Value	Risk Profile: Low Risk / Complexity	Risk Profile: Medium Risk / Complexity	Risk Profile: High Risk / Complexity	Risk Profile: Not applicable (NA)
General	Mortgage Amount	< $5M	$5M - $25M	> $25M	$20,244,000		X		
	SOA	223(a)(7)	223(f)	221(d)(4)	223(f)		X		
	Number of Units	80-200	<80 or 200-400	> 400	158	X			
Borrower/ Development Team	Key Principals - Number of HUD projects owned	> 3	1 - 3	0	0			X	
	GC - Number of HUD projects built (NC/SR)	> 3	1 - 3	0	0			X	
Loan	Debt Service Coverage Ratio	> 1.3	1.2 - 1.3	< 1.2	1.2			X	
	Loan to Value / Cost Ratio	< 75%	75 - 83.3%	> 83.3%	76.6%		X		
	Commercial % of EGI	0%	<=10%	> 10%					X
	Are there Tax Credits?			Yes	Yes (New Market)				X
Project	Age of Property	< 10	10 -30 or <3	> 30	8	X			
	Repairs / unit				$86.66				
	Are Fair Housing Accessibility Guidelines applicable?			Yes	Yes			X	
Market	Section 8 Units?		Yes		No				X
	Age Restricted?			Yes	No				X
	Change in Market Rent	>5%	0-5%	<0%	0%		X		
Environmental	Floodplain, wetland, historic preservation, or noise attenuation issues, or RECs?	No		Yes	No	X			

Additional issues or concerns?

UW Analyst Signature:

Section below to be completed by the Production Division Director and/or delegates (Workload Distribution Leads)

Additional technical staff should be consulted for the review of this project as needed. (please indicate below)

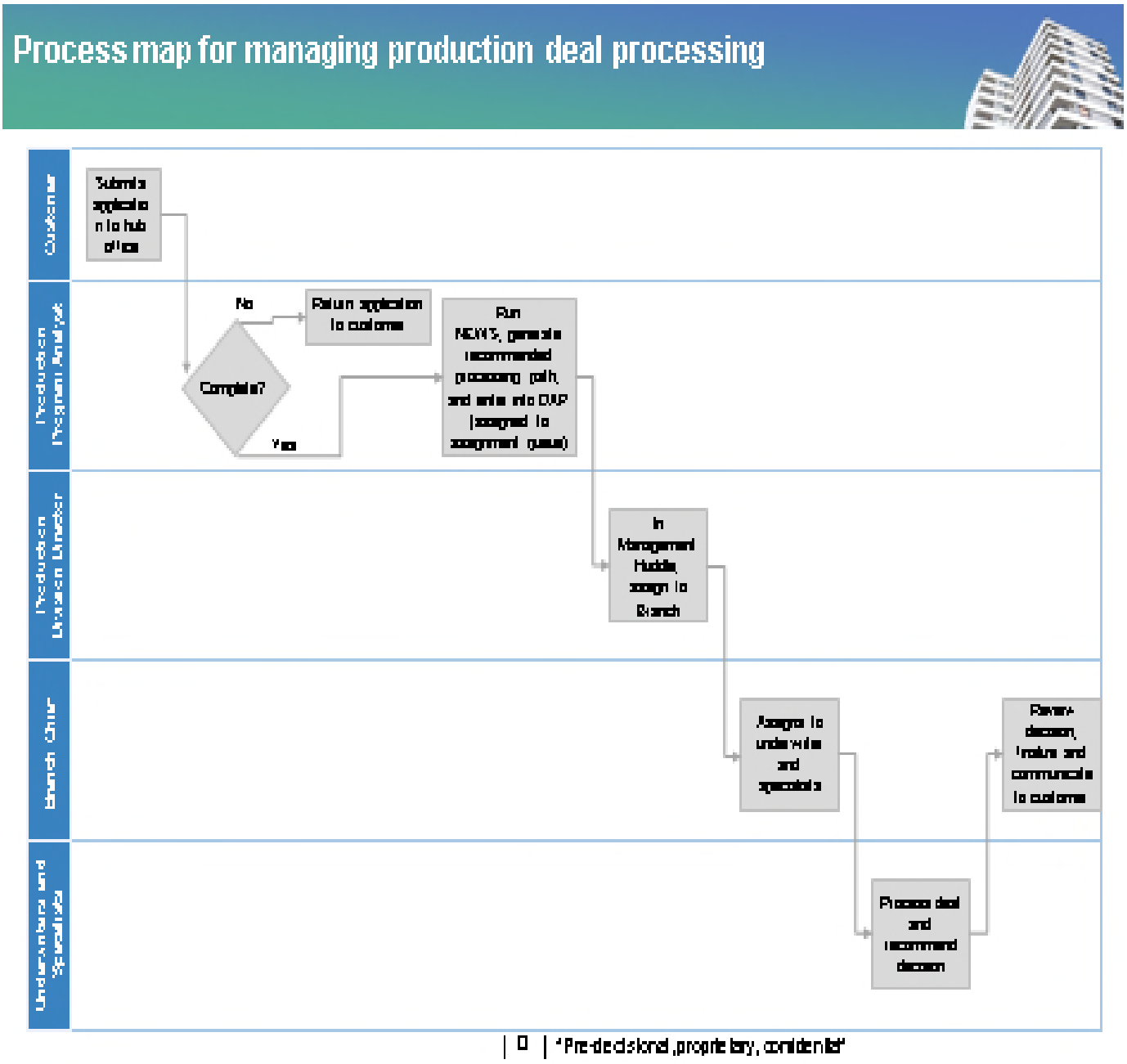
Is there additional information about the Borrower/Development/Management Team, Lender, Market, or Underwriting that should be considered or that might warrant further investigation? (e.g. existing performance / compliance issues, recent lender interactions, borrower credit history, market pipeline)

Environmental:		Appraiser:		Account Executive:		A/E & Cost:	

What Underwriter experience level is required for this [illegible]

Production Division Director's Signature:

F. Production Work Flow Chart



G. Process to Submit Multifamily Program Fees to HUD and Pay.gov

1. Early Generation of FHA Project Number

The requesting lender will submit a "30-day Good Faith Statement" letter on their firm's letterhead to the HUD office with project jurisdiction requesting HUD to issue an FHA project number. The application intake point of contact is the Multifamily Regional Director of the Region/Satellite Office or the Hub Director or Office Director of the local office. The letter will evidence the lender's intent to submit the loan application within 30 business days of the request. This letter will contain all of the necessary project information listed below to create a new project number:

Application Purpose & Type

- Project Name
- Section of the Act
  - If 223(f), Purchase or Refinance
    - If Refinance, Requested Cash Out Amount (*Note: this can change later*)
  - If 221(d)(4),
    - New Construction or Substantial Rehabilitation
    - Insurance of Advances or Insurance Upon Completion
    - Pre-Application or Firm Commitment Application
- Current FHA Project #, if being refinanced/superseded

Mortgage Information

- Sponsor/Mortgagor Type (e.g. profit motivated, non-profit, cooperative, etc.)
- Mortgage Amount (*Note: this can change later*)
- Permanent Interest Rate (*Note: this can change later*)

Mortgagee Information

- Mortgagee Name

Units

- # of Revenue Units
- # of Non-Revenue Units
- Apartment or Cooperative

Special Characteristics (select all that apply)

- LIHTC
- Tax exempt bonds
- Refinance of 202 loan

- Project based Section 8 (if applicable, provide Section 8 #)

Sites

- # of Sites, if greater than 1 (Scattered Sites)

Property

- Street Address
- City
- State
- Zip
- Congressional District Code

2. Establishing a User Account

Lenders are to establish their own procedures for creating and submitting Multifamily Program fees to HUD. These procedures **will not** be dictated by HUD; however, Lenders that are planning to access the Pay.gov public form on a recurring basis may register for a Pay.gov user ID and password through the self-enrollment process. Self-enrolled users can save and submit public forms. Those instructions are found in Chapter 6 and Chapter 8 in the *Pay.gov User Guide.*

The link to the User Guide is:
https://qa.pay.gov/agencydocs/docs/pg_user_guide.pdf

3. Payment Form on Pay.gov

A Lender must utilize the Multifamily Program Fees form on Pay.gov to pay all insured Program fees. On Pay.gov, the Multifamily Program Fees form has been added to the HUD forms section.

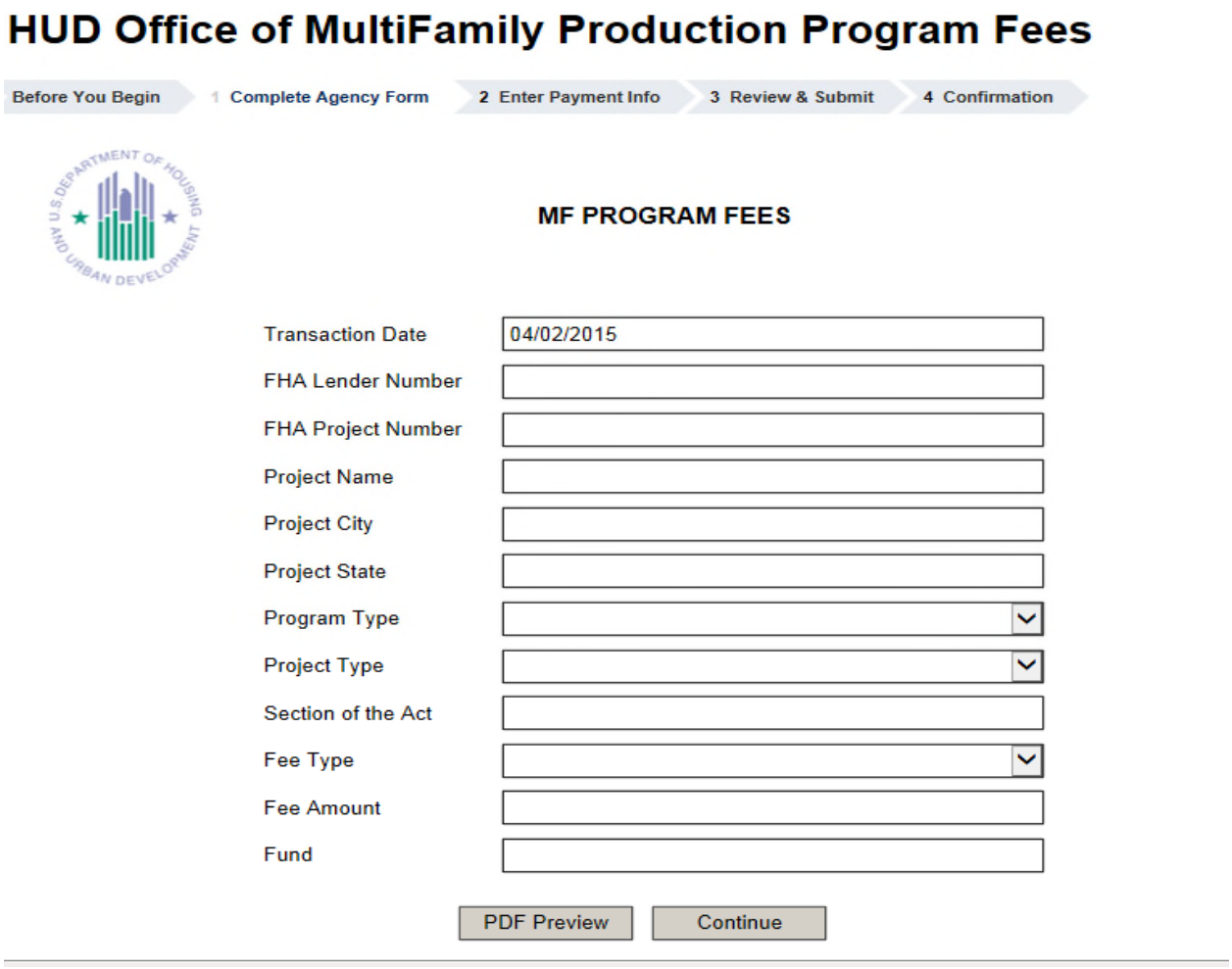
The link to the Multifamily Program Fees form is:
https://www.pay.gov/public/form/start/67950760

4. Completing the Form

a) The instructions for completing the form are:
   1. **Transaction Date**. This field is automatically populated by Pay.gov.
   2. **FHA Lender Number.** Input the lender's five digit lender number in the "XXXXX" format.
   3. **FHA Lender.** Input the lender's name up to 200 Characters.
   4. **FHA Project Number.** Input the eight digit project number in the "XXX-XXXXX" format.
   5. **Project Name**. Input the project's name up to 200 characters.

6. **Project City.** Input the name of the city where the project is located.
7. **Project State.** Input the state or commonwealth's name where the project is located.
8. **Program Type.** Select appropriate program type from the drop down box. The following options (221(d) 4 NC/SR, 241(a), 223(f) Refi/Purchase or 223(a) 7 Refi) represent only an example of the program type selections that are offered.
9. **Project Type.** Select appropriate Project Type from the drop down box. An example of selections that are offered include Market Rate; Affordable; LIHTC; Elderly. If the project is a mix of Types, choose the predominate Type. (Note: This field can only be completed after the Program Type field is completed.)
10. **Section of the Act.** This field is automatically populated by Pay.gov. (Note: This field will only be populated after the selection of the Program Type and Project Type.)
11. **Fee Type.** Select the appropriate fee type from the drop down box from the following options: Application - Exam; Application – TPA; Inspection, Reopening Fee or Upfront Mortgage Insurance Premium (MIP).
12. **Fee Amount**. Input the fee amount.
13. **Fund**. This field is automatically populated by Pay.gov.

A copy of the Pay.gov Multifamily Program Fees Form screen is below:



b) Pay.gov Payment Receipt

After the information is submitted and accepted by Pay.gov, it provides the submitter a receipt of the transaction which includes the 13 fields listed above and a **Pay.gov Tracking ID.** The receipt confirms that a payment was processed through Pay.gov, but does not confirm that the funds have cleared. In instances of insufficient funds, Pay.gov will inform HUD that no payment was received.

H. Section 223(a)(7) Application Requirements Checklist

I. EXHIBITS REQUIRED FOR APPLICATION FOR FIRM COMMITMENT

1. Transmittal letter.
2. Narrative Summary and Underwriting Recommendation
3. Form HUD-92013 "Application for Multifamily Housing Project" with application fee.
4. Form HUD-92013 – Supplement with information on the Sponsor and Mortgagor entity for entities required to pay federal income tax..
5. Form HUD 92013-E, Supplemental Application and Processing Form (Housing for the Elderly/Disabled). (If applicable.)
6. Completed Project Analysis.
7. Disclosure of any identity of interest between sponsor and lender.
8. Byrd Amendment (Lender & Borrower lobbying certification & disclosure). See 24 CFR Part 87.
9. Property Capital Needs Assessment: Physical Inspection Report, detailed list and cost estimates for critical and non-critical repairs and improvements, and estimate for Replacement Reserve Deposits. (See Chapter 18 for guidance regarding the use of an existing PCNA.)
10. Lenders Review of PCNA Report.
11. Current certified rent roll and rent rolls for the previous six months.
12. HAP contract, if applicable.
13. Occupancy history, by quarter for last three years.
14. A current title report which discloses all liens and encumbrances.
15. Audited balance sheets and operating statements for the last three years. If the prior year's financial statements have not been audited, reviewed unaudited year-end statements certified by the borrower are acceptable.
16. Year-to-date financial statements. May be unaudited, but must be certified.
17. A survey affidavit confirming existing survey is correct or a new survey if changes have occurred.
18. Lead-based paint test report and certification if LBP was previously abated if project was built in 1978 or earlier.
19. Certified statement by borrower listing all outstanding obligations on project.
20. Deed of Trust Note or Mortgage Note.

21. Statement of escrow balances, signed by the borrower and lender as being true and correct.
22. Evidence of prepayment approval (Form 9807) or evidence of request from lender for approval.
23. Identification of two principals to sign for Regulatory Agreement Provision #50.
24. Disc or removable drive of the underwriting file, exhibits and third party reports.

Appendix 5
Architectural and Construction Analysis

APPLICABILITY OF APPENDIX STANDARDS AND CRITERIA

Item/Topic	New Construction	Existing Buildings	
		Substantial Rehab	**Repairs & Alterations or No Repairs**
Appendix 5A:			
Minimum Property Standards	Yes	Yes	Yes, except accessible entrance
Commercial/Daycare	Yes	Yes	Yes
Equipment	Yes	Yes	Yes
Air Conditioning	Yes	Yes	Yes
Water & Sewer	Yes	Yes	Yes
Subsurface Exploration	Yes	Per observed circumstances only	Per observed circumstances only
Survey	Yes	Yes	Yes
Appendix 5B:			
Accessibility	Yes	Yes	Yes
Appendix 5C:			
Seismic	N/A	Yes	Yes
Fire Protection	N/A	Yes	Yes
Appendix 5D:			
Energy Codes	Yes	Yes, Gut rehab only	N/A
Appendix 5E:			
Drawings & Specs	Yes	Yes	Yes, for Level 2 & 3 Alterations and/or cost per unit =>$15k
Appendix 5F			
F.1 Review Report	Yes	Yes	N/A
F.2 Review Report	Yes	Yes	N/A
F.3 Review Report	N/A	N/A	Yes
Appendix 5G			
Capital Needs Assessments	Yes	Yes	Yes

Appendix 5H			
H.1 Architect's Certification-NC/SR	Yes	Yes	N/A
H.2 Architect's Certification-Refinancing	N/A	N/A	Yes, when project architect is retained
H.3 Arch.'s Liability Insurance Certification	Yes	Yes	Yes, when H.2 is used
Appendix 5I			
I.1 Cost Review Pre-application	Yes	Yes	N/A
I.2 Cost Review NC/SR	Yes	Yes	N/A
I.3 Cost Review Repairs & Alterations	N/A	N/A	Yes
Appendix 5J			
J.1 Cost Not Attributable, new construction	Yes	N/A	N/A
J.2 Cost Not Attributable-SR	N/A	Yes	N/A
J.3 Examples	Yes	Yes	N/A

A. Common HUD Standards and Criteria

1. Minimum Property Standards.

   A. New construction and substantial rehabilitation design must meet HUD Handbook 4910.1, Minimum Property Standards for Housing (MPS). Existing buildings acquired or refinanced under Section 223(f), refinanced under Section 223(a)(7) or altered or repaired under Section 241(a) must meet the General Acceptability Criteria of the MPS except for the requirement for an accessible entrance (unless first occupied after March 13, 1991 or Federally assisted or subject to the Americans with Disabilities Act. See Appendix 5B).

      1. Local Building codes or nationally recognized building codes accepted or designated by the local HUD Office are part of the MPS.

      2. The Field Office enforces and interprets accepted local building codes for HUD.

      3. The Field Office does not enforce local building codes for the local Government.

   B. For community sewerage systems, use HUD Handbook 4940.3, Minimum Design Standards for Community Sewerage Systems.

2. Commercial Use and Daycare Facilities. The term "Commercial" is applied to any space or facility permitted and acceptable for "Nonresidential Use" from which income is derived or anticipated. However, facilities such as swimming pools and garages to be used solely by tenants are not considered commercial even though fees may be collected.

   A. Generally the nature and extent of nonresidential uses should serve the commercial needs of tenants and residents of the neighborhood in which the property is located.
   B. The aggregate commercial floor area may not exceed the percentage limits established by program as described in Chapter 3. When calculating commercial space as a percent of floor area, the numerator is the aggregate commercial area including corridors, stairs, elevators, lobbies, garage parking and other service areas used for commercial purposes, but excludes laundry space, project storage space, and resident garage parking. The denominator is building area for all uses.
   C. Design of commercial facilities must be harmonious with the project and conform to standards of design and construction and local zoning and building codes.
   D. Do not include fixtures, equipment, furnishings or finish for commercial spaces in the mortgage unless customarily provided in competitive projects. But a commercial lease build out allowance may be needed and may be required as a required escrow. In addition future commercial tenant build out costs (for releasing after initial lease-up) may be budgeted as part of future capital costs and included in the Reserve for Replacements.
   E. Space for day care facilities must be adequate, appropriate to the market need, and conform to local and state requirements. In processing, it is considered as commercial space.

3. Equipment

   A. Equipment included as part of the mortgage security must be acknowledged by the Borrower and Lender to be part of the real estate and:
      1. Be essential for successful operation and market acceptance.
      2. Have qualities in design, construction, materials and finishes which are not subject to early deterioration or obsolescence.
      3. Be appropriate to the location, the design of the building, and the anticipated occupants.
   B. Equipment needed for operation and market acceptance, such as ranges and refrigerators, should be included. The equipment should be durable and selected to balance current capital cost against the need to fund future replacements.
      1. Replacement is paid for from a reserve for replacements account sized in the CNA prepared in the CNA e Tool and funded annually from project income.
      2. Market based expectations for borrower furnished equipment change over time. If doubts arise as to legal precedent concerning whether an item is chattel or real estate, essential and required items may be covered by a security agreement or chattel mortgage, as well as being covered by the mortgage on the real estate if deemed necessary by the Lender and its

attorneys.

C. Ineligible equipment includes supply items, utensils, tools, vehicles, mowers and tractors, portable equipment, furniture, furnishings, or accessories normally provided by residents or management and maintenance firms. But furniture, furnishings and equipment (FFE) for tenant common use spaces (e.g., recreation and gym facilities, lobbies, tenant entertainment or hospitality spaces, etc) may be allowed as chattel items and budgeted as described in Chapter 5.11, subsection D.

4. Air Conditioning is required for all properties except in markets located in climate zones where new units without air conditioning are commonly accepted. Where air conditioning is required to provide year-round indoor comfort, assure continued marketability, and prevent premature obsolescence, projects must be air-conditioned. Particular attention should be given to the need for air conditioning and ventilation in elevator structures, especially for senior citizens.

5. Water and Sewer. Public water and sewerage facilities are generally required for multifamily projects. Lack of public water and sewer service is an indicator of the local jurisdiction's inability or unwillingness to provide such services and in most cases is a bar to new development. Construction of private water and sewer facilities may be considered only when such services can be provided at reasonable rates including consideration of long term capital needs and when such facilities are supported and supervised by state or local authorities with jurisdiction. Existing properties relying on private water and sewer facilities must meet the same test of reasonable cost including long term capital needs and local government support and supervision.
   A. Water and/or sewerage facilities must:
      1. Provide a sufficient supply of water with adequate pressure and satisfactory purification, anti-bacterial and chemical qualities.
      2. Provide a sanitary waste system with adequate collection, treatment and final disposal of domestic waste, which requires minimum maintenance and will not endanger the public health.

   B. Duplicate water and sewerage systems are not acceptable except where it is determined that the construction of a single system will be infeasible due to the topography of the site.

   C. Individual septic systems or sewerage systems designed to dispose of effluent by subsurface soil absorption methods are generally not suited for multifamily construction because of maintenance problems. Satisfactory operation can be expected only under unusually favorable soil conditions. When these methods of sewerage disposal are proposed, an environmental (sanitary) engineer, with no other interest in the project, should be hired by the Borrower to investigate soil and site conditions and make recommendations. A copy of the report must be available to the project architect and be included in the exhibits submitted for review by the lender's construction analyst. When an existing property relies on a septic system, the lender

and needs assessor must conduct an intrusive examination by a qualified third party (environmental or sanitary engineer) who must investigate the maintenance history of the septic system and recommend current and future repairs, alterations or replacements needed to assure continued satisfactory operation. An Operations and Maintenance Plan must be prepared as guidance to management and tenants on routine care and maintenance of the septic system

D. Privately Owned Offsite Water and Sewerage Systems.
   1. Evidences of acceptable control are:
      (a) Certificate of Convenience and Necessity from the State Utility Regulatory Commission;
      (b) Franchise from local unit of Government;
      (c) Trust Deed;
      (d) Third Party Beneficiary Agreement; and
      (e) An incorporated non-profit owners association.
   2. If control of continuity of service and the equitability of the service rate schedule is other than (a) above, all legal documents and other appropriate exhibits must be acceptable to HUD's Counsel.

E. All community systems and privately owned systems must meet local health authority or U.S. Environmental Protection Agency Maximum Contaminant Level (EPA MCL) standards.

6. Subsurface Exploration. For new construction proposals reliable information about subsurface conditions and foundation recommendations must be available to the project architect and the lender's construction analyst prior to foundation design. In some cases subsurface exploration may be needed for existing buildings.
   A. The project architect must advise the owner of the scope and type of soils information and/or subsurface investigation required for structural design.
   B. The Borrower must provide the services of a registered design professional for determining subsurface conditions. These services shall be provided in accordance with the Owner-Architect Agreement.
   C. The lender's construction analyst will assure that the architect has comprehensive, well documented soils information and that project foundation design follows the report recommendations. When necessary, the lender's construction analyst may request engineering help in reviewing soil reports and related designs.
   D. Soils investigation shall be in accordance with Chapter 18 of the International Building Code, except that an investigation and report is required for every project involving new construction, whether or not required by the building official.
   E. In some cases observed conditions at existing properties (e.g., foundation failure, history or indications of sink holes in the immediate vicinity) may require subsurface exploration. In such cases the lender and needs assessor must retain the services of a registered design

professional and conduct intrusive examination to identify the nature of subsurface problems and recommend appropriate action.

7. ALTA Survey General Requirements (per Multifamily Program Closing Guide, 4300.G February 2015 edition)
   An ALTA/ASCM Land Title Survey is required and must conform to the instructions set forth on form HUD-91073M, *HUD Survey Instructions and Surveyor's Report* (including the Table A items listed and certification set forth in the form), which instructions relate both to form HUD-91073M, *HUD Survey Instructions and Surveyor's Report*, and to the Survey that the surveyor must produce. The Survey shall be dated, signed and sealed within 120 days before initial closing, meaning that the field work was performed or updated no earlier than 120 days prior to closing. Local discretion, in accordance with local waiver procedures as applicable, is given to the HUB Director to waive the 120 day limit. (Download the 2011 ALTA/ACSM Land Title Survey Minimum Standard Detail Requirements at http://www.acsm.net/index.cfm?fuseaction=Page.viewPage&pageId=513&parentID=506&nodeID=1).

   The Survey shall show all easements, apparent interests (including railroads) or encroachments upon the property or from the property onto contiguous parcels of land. These easements or encroachments must be acceptable to HUD.
   a. All easements, restrictions and exceptions on the title policy shall be shown. Blanket easements that cannot be plotted shall be listed with their recording information.
   b. Maintenance, joint use, easement and other agreements may be required. In cases where common facilities exist between the insured parcel and an adjacent parcel, Borrower must provide for recordation of an agreement for the common use of land and facilities (e.g., common drives, common lobbies, elevators, walkways, utility roads, parking structures, recreation facilities, storm water management facilities (retention ponds detention ponds, swales and culverts) or other common facilities). The agreement must grant rights to the HUD project site and its tenants to use the common facilities and provide for an equitable and certain method for funding shared costs for repair and replacement of common facilities..
   c. If the HUD project is subject to condominium and property/homeowner association documents, these documents may provide for maintenance, access and cost sharing.
      All access roads must be labeled as public or private roads.

   D. Surveyor's Report. Lender must provide form HUD-91073M, *HUD Survey Instructions and Surveyor's Report*, signed within 120 days before initial closing by a licensed surveyor, not by an engineer, and bearing the surveyor's original signature and professional seal. Local discretion, in accordance with local waiver procedures as applicable, is given to the Regional Center/Satellite Office director to waive the 120 day limit. The Surveyor's Report

supplements the ALTA/ASCM Land Title Survey, and must describe with specificity where the conditions described in the Surveyor's Report are physically observed on the property.

E. Surveys Submitted with Refinancing Applications. Note that when surveys are required as exhibits with an application for refinancing of an existing property and the time line from the date of the application to the anticipated endorsement is beyond the 120 day shelf life for the required survey, the lender and borrower may provide a previously existing survey that reflects existing conditions, provided however, that the lender and borrower bear the entire risk that the new or updated survey dated within 120 days of endorsement may disclose conditions that are unacceptable to HUD. Also, in the event that proposed alterations and repairs in a proposed refinancing include site grading or site utility work to remedy an observed drainage or other problem related to site elevations, then the HUD office may require Item 5 of Table A (topographic contour intervals) of the ALTA/ACSM Land Title Survey Minimum Standard Detail Requirements.

B. Accessibility for Persons with Disabilities

I. Statutory Requirements

A. When preparing and underwriting applications for HUD-FHA multifamily mortgage insurance, lenders must assure that accessibility requirements are accurately applied to projects by borrowers, design professionals, needs assessors and lender construction analysts and underwriters. Lenders must act affirmatively to assure that persons engaged in preparing applications are knowledgeable of Federal and, where applicable, state and local requirements. These requirements are:

1. The Fair Housing Act design and construction requirements apply to all covered multifamily dwellings built for first occupancy after March 13, 1991;

2. Section 504 of the Rehabilitation Act of 1973 applies to all federally assisted programs, services and activities, including housing;

3. The Americans with Disabilities Act of 1990 (ADA). Title III applies to public accommodations and commercial facilities and to any such portion of a multifamily property. Title II obligates all state and local government organizations (including state and local housing and community development agencies) to make their programs and facilities, including multifamily housing programs and facilities, accessible in accordance with certain regulatory and architectural requirements.

4. The following table summarizes applicable Federal and HUD* accessibility requirements applicable to multifamily properties proposed for mortgage insurance. For detailed discussion of each statute see this Appendix 5B, Sections III (Fair Housing Act), IV (Section 504) and V (ADA).

SUMMARY REQUIREMENTS FOR INSURED MULTIFAMILY PROPERTIES

ACTIVITY & YEAR BUILT	MARKET RATE APARTMENTS	AFFORDABLE (not assisted, e.g. LIHTC's)	FEDERALLY ASSISTED***
Projects built for 1st occupancy** after 3/13/1991	Fair Housing Act Requirements	Fair Housing Act Requirements	Fair Housing Act Requirements & 504 (UFAS or Deeming Notice****)
Projects built from 7/11/1988 to 3/13/1991	None	None	504(UFAS or Deeming Notice)
Sub rehab or Refinance of projects built prior to 7/11/1988 or built prior to becoming assisted*****	None	None	504(UFAS or Deeming Notice) (load bearing wall and financial/administrative burden exceptions)
All Public Accommodations (Designed and built for 1st occupancy or altered after 1/26/1993	ADA Title III	ADA Title III	ADA Title III & 504 (UFAS or Deeming Notice
State or Local Government Programs or Assistance, e.g, LIHTCs with construction start after 1/26/1992	ADA Title II	ADA Title II******	ADA Title II & 504 (UFAS or Deeming Notice)

* Unlike the Fair Housing Act where Congress assigned regulatory and enforcement authority to HUD, Section 504 of the Rehabilitation Act of 1973 obligates various federal

agencies to develop implementing regulations. So HUD and USDA housing programs operate under slightly different regulations.
**1st occupancy means a building that has never before been used for any purpose.
*** "Federally assisted" projects include those financed or assisted by Project Based Vouchers, 202/811, HOME, HOPWA, Rent Supplements, 236, TCAP, BMIR, etc.
**** See HUD's Alternative Accessibility Standard set forth in HUD's notice at 79 Fed. Reg. 29,671 (May 23, 2014) ("Deeming Notice"), permitting HUD recipients of federal financial assistance to use an alternative standard for purposes of complying with Section 504 and HUD's implementing regulation at 24 C.F.R. part 8. The Deeming Notice provides HUD recipients the option of using the 2010 ADA Standards (with certain exceptions) as an alternative to UFAS for new construction or alterations commencing on or after May 23, 2014
***** See this Appendix Section IV subsection E for a discussion of projects existing before July 11, 1988, or before the date of Federal assistance.
****** State and local governments are required to describe specific measures to make programs accessible. Such measures vary especially in reference to existing properties. Relevant state and local officials must be consulted, particularly in reference to LIHTC transactions.

5. State and Local Accessibility Laws. The Fair Housing Act does not preempt state and local government measures affording persons with disabilities greater access than is required by the Fair Housing Act and some state and local governments do apply more stringent requirements. When state or local requirements exceed the Fair Housing Act design and construction requirements, the former prevail to the extent of such excess.

6. Adaptable Does Not Mean Deferrable. A common misinterpretation of the Fair Housing Act design and construction requirements holds that the term "adaptable" contemplates a delay or deferral of the time when "features of adaptable design" required by the statute or regulations may be completed. This is inaccurate. The "features of adaptable design" described in the Fair Housing Act design and construction standards are required at original design and construction. Adaptable for purposes of Section 504 is defined at 24 CFR 8.3 and contemplates limited future physical changes to meet specific needs of particular persons with disabilities.

II. Implementing and Applying Accessibility Requirements

A. Most properties proposed for multifamily mortgage insurance are subject to and must observe one or more of the accessibility statutes and related regulatory and architectural requirements. Borrowers, project architects and general contractors are jointly responsible for compliance. When construction is proposed, design professionals, lenders and contractors are obligated to

assure that plans, specifications and contract documents describe work that will result in such compliance. When preparing capital needs assessments for existing structures, needs assessors and lenders must identify the statutes and standards applicable to the property (or particular buildings or spaces thereof) and describe any lack of compliance (deficiencies) as well as the work needed to remedy deficiencies. Lenders may, and sometimes should, retain persons or firms with particular experience and expertise in the recognition and evaluation of accessibility issues in design of new construction or substantial rehabilitation projects as well as in preparation of the CNA for existing properties. This Appendix 5B is intended to brief multifamily mortgage insurance program participants concerning accessibility requirements and to provide resources for more detailed inquiry.

B. When the CNA identifies deficiencies in existing properties, remedies must be identified and described in a corrective action plan. Corrective actions plans must be prepared in the CNA e Tool in accordance with Appendix 5G. The corrective action plan:

1. Addresses all accessibility deficiencies;

2. Describes any circumstance where implementation of a remedy to a deficiency would compromise other architectural design requirements, (e.g. requires elimination of closet space); examines possible alternatives; and recommends an alternative;

3. Defines remedies together with a detailed schedule of work and associated costs;

4. Demonstrates that the described remedies are appropriate; and,

5. Describes when and how the required corrective modifications will be completed.

C. When providing a corrective action plan the lender must demonstrate that the period of time requested for corrective action is the minimum possible given the physical characteristics of the repairs and the reasonably anticipated impact of the repairs on tenants and/or the costs of displacement.

D. In unusual circumstances (e.g., extensive displacement or large scope of work or excessive costs) a corrective action plan may require more than 12 months to complete. Any corrective action plan requiring more than 12 months for completion must be referred to HUD Headquarters to the attention of the Director of Technical Support (in the case of new applications) or to the Director of the Office of Asset Management and Portfolio Oversight (in the case of corrective action plans prepared after Endorsement).

E. When completion of remedies for accessibility deficiencies is deferred, the funds required (including amounts assuring completion) should be provided and disbursed in accordance with the applicable escrow requirements for non-critical repairs for new applications under Sections 223(f) or 223(a)(7) of the National Housing Act or, when no new insured financing is proposed, in accordance with HUD Handbook 4350.1.

F. Where a deficiency is identified arising from a state or local accessibility requirement that exceeds the applicable Federal standard(s) and the proposed corrective action does not result in full compliance with that state or local requirement, it is the responsibility of the owner and/or the lender to obtain written confirmation that the proposed corrective action is acceptable to the state or local entity with enforcement jurisdiction.

G. The content of a corrective action plan may vary widely depending on the nature and scale of repairs required to correct accessibility deficiencies. Accordingly, lenders must assure that the professional preparing the plan has skill and experience commensurate with the scale of work required. When compliance with multiple statutes and standards is required or when design documents are needed, the corrective action plan may, and often should, be prepared by other qualified professionals (e.g., a registered architect, engineer) retained either by the owner or the lender provided that the identity and qualifications of the author(s) are fully disclosed. All resulting reports and drawings should be attached to the CNA when it is submitted via the CNA e Tool.

H. A corrective action plan does not constitute a safe harbor for compliance with the Fair Housing Act, Section 504 of the Rehabilitation Act of 1973 or the ADA. A corrective action plan does not preclude an individual from filing a fair housing complaint with the Department and does not preclude the Department from investigating a complaint or pursuing administrative or legal action under applicable civil rights accessibility laws and regulations to ensure full compliance. Similarly, a corrective action plan does not preclude the Department of Justice from investigating or filing a lawsuit for Fair Housing Act or ADA violations.

I. The Fair Housing Act and Section 504 of the Rehabilitation Act of 1973 require owners to make reasonable accommodations (that is, exceptions to or changes in rules, policies, practices or services) and/or reasonable modifications (physical changes to premises) for persons with disabilities. These requirements are separate and distinct from the requirement to address accessibility deficiencies identified in a CNA. Reasonable accommodations and modifications will not be addressed in CNA reports or corrective action plans. References to detailed guidance on reasonable accommodations and modifications may be found in this Appendix Section III subsection C.

III. Summary of Fair Housing Act Requirements

A. The Fair Housing Act established certain design and construction requirements for covered multifamily dwellings built for first occupancy after March 13, 1991. The obligation to comply is permanent. Compliance must be maintained through any subsequent repairs, replacements, alterations or rehabilitation. If covered multifamily dwellings (and any associated common areas) are built for first occupancy after March 13, 1991 as an addition to an existing property, the added dwellings and common areas must meet the Fair Housing Act design and construction requirements.

Note that "first occupancy" means that the building has never before been used for any purpose. Thus, the requirements do not apply to any building converted to multifamily use from any other use nor to any substantial rehabilitation of multifamily buildings that were occupied before March 13, 1991. See 42 USC 3604(f)(3)(C), 24 CFR 100.205 and HUD's Fair Housing Act Design Manual published at 56 Federal Register 9472-9515 [Mar. 6, 1991]. "Covered multifamily dwellings" is defined at 42 U.S.C. 3604(f)(7) and 24 C.F.R. 100.201 and means all units in buildings consisting of 4 or more dwelling units if such buildings have one or more elevators; and ground floor units in other buildings consisting of 4 or more units. A "ground floor" is a floor of a building with a building entrance on an accessible route. A building may have more than one ground floor. Buildings consisting of 1, 2 or 3 units do not contain any "covered multifamily dwellings."

All covered multifamily dwellings must be designed and constructed to have at least one building entrance on an accessible route unless it is impractical to do so because of the terrain or unusual characteristics of the site. The burden of establishing impracticality because of terrain or unusual site characteristics is on the person or persons who designed or constructed the housing facility. See24 CFR 100.205(a).

There are seven design and construction requirements under the Fair Housing Act as follows:

1. Accessible building entrance on an accessible route;
2. Accessible and usable public and common use areas;
3. Usable doors (all the doors allowing passage into and within the units are sufficiently wide to allow passage by persons in wheelchairs);
4. Accessible route into and through the covered dwelling unit;
5. Light switches, electrical outlets, thermostats and other environmental controls in accessible locations;
6. Reinforced walls for grab bars in bathrooms (i.e., to allow later installation of grab bars around the toilet, tub, shower, stall and shower seat, where such facilities are provided);
7. Usable kitchens and bathrooms (e.g., such that an individual in a wheelchair can maneuver about the space).

The needs assessor must measure clear door openings, wheel chair maneuverability areas, slopes and cross slopes of sidewalks and other accessible routes, and other dimensioned aspects of the housing to determine compliance with the Fair Housing Act Accessibility Guidelines or another identified safe harbor standard recognized by HUD. Measurements should be made of dimensioned requirements in typical or representative units of each unit type and of typical common spaces and these must be noted and reported. Use of templates or rods of fixed dimension to confirm measurements not less than (or greater than) required is acceptable. Photographs are encouraged. It is insufficient to merely state that a project, building, or a particular feature, "appears to" or "seems to" meet, or not meet, the design and construction requirements.

B. HUD Recognized Safe Harbors. Presently there are ten HUD-recognized safe harbors for compliance with the Act's design and construction requirements and these are listed below. Any one of the referenced safe harbors may be relied upon, but only when used in its entirety without the designer or builder selecting provisions from more than one safe harbor or a variety of sources and without any waiver(s) of provisions as might be obtained from a state or local agency. (See HUD's final rule Design and Construction Requirements, Compliance with ANSI A117.1 Standards, published in the Federal Register on October 24, 2008. See Resources, Subsection C, #5, below.) When conducting an assessment for a building the needs assessor should use the safe harbor standard referenced in the original design documents whenever the identity of the standard is known. If unknown, the Fair Housing Accessibility Guidelines (safe harbor # 1 below) should be used. The needs assessor must name the standard used in the CNA Narrative Section 7.1 of the CNA e Tool.

1. HUD's March 6, 1991, Fair Housing Accessibility Guidelines and the June 28, 1994, Supplemental Notice to Fair Housing Accessibility Guidelines: Questions and Answers About the Guidelines;

2. ANSI A117.1-1986 – Accessible and Usable Buildings and Facilities, used in conjunction with the Act, HUD's Regulations and the Guidelines;

3. CABO/ANSI A117.1-1992 – Accessible and Usable Buildings and Facilities, used in conjunction with the Act, HUD's Regulations, and the Guidelines;

4. ICC/ANSI A117.1-1998 - Accessible and Usable Buildings and Facilities, used in conjunction with the Act, HUD's Regulations, and the Guidelines;

5. HUD's Fair Housing Act Design Manual published in 1996 and revised in 1998;

6. Code Requirements for Housing Accessibility 2000 (CRHA), approved and published by

the International Code Council (ICC), October 2000;

7. International Building Code (IBC) 2000, as amended by the IBC 2001 Supplement to the International Codes;

8. 2003 International Building Code (IBC), with one condition. Effective February 28, 2005, HUD determined that the IBC 2003 is a safe harbor, conditioned upon the International Code Council publishing and distributing the following statement to jurisdictions and past and future purchasers of the 2003 IBC:
   ICC interprets Section 1104.1, and specifically, the exception to Section 1104.1, to be read together with Section 1107.4, and that the Code requires an accessible pedestrian route from site arrival points to accessible building entrances, unless site impracticality applies. Exception 1 to Section 1107.4 is not applicable to site arrival points for any Type B dwelling units because site impracticality is addressed under Section 1107.7.

9. ICC/ANSI A117.1-2003 - Accessible and Usable Buildings and Facilities, used in conjunction with the Act, HUD's Regulations, and the Guidelines.

10. 2006 International Building Code, published by ICC, January 2006, with the 2007 erratum (to correct the text missing from Section 1107.7.5), and interpreted in accordance with relevant 2006 IBC Commentary.

C. Resources and Guides for Fair Housing Act Requirements

1. The Fair Housing Act is codified at 42 U.S.C. §§ 3601-3619. It is posted at http://www.justice.gov/crt/about/hce/title8.php with implementing regulations, including 24 C.F.R. Part 100, posted at http://www.archives.gov/federal-register/index.html
   In particular, *see* 24 C.F.R. §§ 100.203-100.205 for the sections on reasonable modifications of existing premises, reasonable accommodations, and the design and construction requirements.

2. *Final Fair Housing Accessibility Guidelines,* 56 Fed. Reg. 9472 (Mar. 6, 1991), *available at* http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp/disabilities/fhefhag

3. *Supplement to Notice of Fair Housing Accessibility Guidelines: Questions and Answers about the Guidelines,* 59 Fed. Reg. 33,362-68 (June 28, 1994), *available at* http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp/disabilities/fhefhasp

4. *Fair Housing Act Design Manual* (August 1996, Revised April 1998), *available at* http://www.huduser.gov/publications/pdf/fairhousing/fairfull.pdf

5. *For how to use the safe harbor standards see* HUD's final rule Design and Construction Requirements, Compliance with ANSI A117.1 Standards, published in the Federal Register on October 24, 2008, Section IV, HUD Policy Regarding HUD-Recognized Safe Harbors for Compliance with the Fair Housing Act's Design and Construction Requirements. 73 Fed.REG. 63610-63616, October 24, 2008 which may be found at http://www.gpo.gov/fdsys/pkg/FR-2008-10-24/pdf/E8-23785.pdf

6. *For specific guidance on the Fair Housing Act's design and construction requirements see* Joint Statement of the Department of Housing and Urban Development and the Department of Justice, Accessibility Design and Construction Requirements for Covered Multifamily Dwellings Under the Fair Housing Act, April 30, 2013, available at http://portal.hud.gov/hudportal/documents/huddoc?id=JOINTSTATEMENT.PDF

7. *For specific guidance on reasonable accommodations in rules, policies, practices, or services for particular tenants see* Joint Statement of the Department of Housing and Urban Development and the Department of Justice, Reasonable Accommodations under the Fair Housing Act (May 17, 2004), *available at* http://www.hud.gov/offices/fheo/library/huddojstatement.pdf

8. *For specific guidance on tenant requests for physical modifications to premises see the* Joint Statement of the Department of Housing and Urban Development and the Department of Justice, Reasonable Modifications under the Fair Housing Act (Mar. 5, 2008), *available at* http://www.hud.gov/offices/fheo/disabilities/reasonable_modifications_mar08.pdf
For Federally Assisted Housing or programs see also 24 CFR §§ 8.20, 8.21(c), 8.24.

9. For additional technical assistance, *see* the Fair Housing Act Accessibility FIRST website at www.fairhousingfirst.org or call the Fair Housing Accessibility First assistance line at 888-341-7781 on weekdays from 9 a.m. to 5 p.m. ET.

10. See al*so* HUD Office of Fair Housing and Equal Opportunity's disabilities website at http://www.hud.gov/offices/fheo/disabilities/index.cfm

IV. Summary of Section 504 Requirements for Assisted Housing

A. Definition of Assisted Housing

Section 504 of the Rehabilitation Act of 1973 applies to recipients of Federal financial assistance. The Section 504 regulations define "recipient" as any state or its political subdivision, any instrumentality of a state or its political subdivision, any public or private agency, institution, organization, or other entity or any person to which Federal financial assistance is extended for any program or activity directly or through another recipient, including any successor, assignee, or transferee of a recipient, but excluding the ultimate beneficiary of the assistance (24 CFR 8.3).

Federal financial assistance is broadly defined to include, among many things, grants, loans, contracts or other arrangements which may take the form of funds, services from Federal personnel, community development grants, and the use of real or personal property (24 CFR 8.3). Thus, for example, HUD funded Section 811 or Section 202 developments, and any developments which have project-based rental certificates or vouchers, (i.e., rent supplement, rental assistance program, Section 8 project-based assistance) are recipients of Federal financial assistance and are subject to the requirements of Section 504. A HUD mortgagor receiving a subsidy through the Section 221(d)(3) Below Market Interest Rate Program or the 236 Rental Housing Program is also a recipient of Federal financial assistance and is subject to the requirements of Section 504. In addition, any project assisted with Community Development Block Grant (CDBG), Neighborhood Stabilization Program (NSP), HOME , or HOPWA (Housing Opportunities for Persons With AIDS) funds or any contribution of Federal land or services is subject to the requirements of Section 504. In recent years the American Recovery and Reinvestment Act (ARRA) and the Tax Credit Assistance Program (TCAP) have become added sources of Federal financial assistance for some multifamily properties. Federal financial assistance is provided to entire properties, not to particular buildings or units, even when the result of the assistance is the designation of or a set-aside of portions of the property for affordable housing or other federal objectives. Accordingly, Section 504 applies to entire properties. However, a property owner's receipt of housing assistance payments from a recipient on behalf of eligible families under a housing assistance payment or voucher program, *i.e.*, tenant-based rental assistance, does not make a project assisted (24 CFR 8.3). The examples given above do not constitute an exhaustive list of HUD programs subject to Section 504.

All programs or activities which receive Federal financial assistance from HUD are subject to HUD's Section 504 regulations, including program accessibility requirements. Owners are also required to make physical changes as reasonable accommodations at the request of tenants or prospective tenants (24 CFR 8.4, 8.20, 8.21, 8.24, 8.33).

B. When Both Section 504 and the Fair Housing Act Apply

With respect to physical accessibility requirements, both Section 504 (applies to programs or activities that receive Federal financial assistance) and the Fair Housing Act (applies to covered multifamily dwellings designed and constructed for first occupancy after March 13, 1991) may apply. Recipients subject to both laws must be aware of and comply with the requirements of both laws and their implementing regulations. (See HN 2001-02).

C. New Construction

Federally assisted multifamily housing projects built after July 11, 1988 must comply with the requirements in 24 CFR 8.22. Such projects must provide accessible common areas and facilities as well as minimum percentages of units readily accessible to and useable by persons with mobility disabilities [minimum 5% of the units or at least one unit, whichever is greater] and sensory disabilities [an additional minimum 2% of the units or at least one unit, whichever is greater]. See 24 CFR 8.22. HUD may prescribe a higher percentage or number upon demonstration of greater need. See 24 CFR 8.22(c). Compliance with the Uniform Federal Accessibility Standards (UFAS) is deemed to comply with the accessibility requirements of Section 504 and 24 CFR §§ 8.21, 8.22, 8.23 and 8.25 (24 CFR 8.32). Departures from particular technical and scoping requirements of the UFAS by the use of other methods are permitted where substantially equivalent or greater access to and usability of the building is provided (24 CFR 8.32).

D. Substantial and Other Alterations

HUD's Section 504 regulation (24 CFR § 8.23) applies the following requirements to Federally assisted projects that undergo substantial or other alterations. This includes projects built and assisted prior to July 11, 1988, which subsequently undergo alterations, as well as projects built after July 11, 1988 which originally did not receive Federal financial assistance but later receive such assistance, thus triggering coverage of Section 504.

1. Substantial Alterations. After July 11, 1988, any existing Federally assisted multifamily housing project consisting of fifteen or more dwelling units that is substantially altered (meaning the cost of alterations equals or exceeds 75% of replacement cost of the completed facility at the time of the alterations) must contain a minimum of 5% of units, or at least one, whichever is greater, accessible for persons with mobility impairments and an additional 2% of units, or at least one, whichever is greater, accessible for persons with hearing or vision impairments, as though it were newly built after July 11, 1988, with the sole exception that load bearing structural members are not required to be removed or altered. See 24 CFR 8.23(a). HUD may prescribe a higher percentage or number upon

demonstration of greater need. See 24 CFR 8.23(b)(2).

2. Other Alterations. Alterations that do not meet the test for substantial alteration (*i.e.*, where the cost of alterations does not equal or exceed 75% of replacement costs), are subject to the following requirements under HUD's Section 504 regulations:

   a. To the maximum extent feasible, alterations to common areas, facilities and corridors were (are) to be made accessible. See 24 CFR 8.21(b); 8.23(b)(1).

   b. To the maximum extent feasible, all individual unit alterations or replacements were (are) to be accessible. See 24 CFR 8.23(b)(1).

   c. If alterations of single elements or spaces in a unit, when considered together, amount to alteration of the unit, the entire unit must be made accessible. For example, a combination of alterations to a single unit that includes modifications to the kitchen, bath and entry door meets the threshold of alteration of a unit, thereby requiring that the entire dwelling unit be made accessible. Once 5% of the dwelling units in a multifamily housing project are readily accessible to and usable by individuals with mobility impairments, then no additional elements of dwelling units, or entire dwelling units, are required to be accessible under this paragraph. See 24 CFR 8.23(b)(1).

   The phrase "maximum feasible extent" is intended to make clear that an owner is "never required to undertake a degree of accessibility which would impose undue financial and administrative burdens" but when alterations were (are) undertaken, accessibility was (is) required "up to the point of infeasibility or undue financial and administrative burdens." (53 Fed. Reg. 20216, 20224 (June 2, 1988)). In addition, measures to achieve compliance with UFAS which had "little likelihood of being accomplished without removing or altering a load-bearing structural member," are not required. See 24 CFR 8.32(c).

E. Existing Housing

Owners of federally assisted projects built prior to July 11, 1988 and owners of other projects that become assisted after they were built, have an obligation to make such housing and facilities readily accessible to and usable by individuals with disabilities (24 CFR 8.21(c); 24 CFR 8.23; 24 CFR 8.24). HUD's Section 504 regulations also require that periodic repair and replacement actions and alterations (both substantial alterations and other alterations) completed at such projects contribute to a gradual process of change until such time as compliance is achieved. See "Substantial and Other Alterations" above. For needs assessors and lenders this ongoing process of change is a challenge to evaluation and/or underwriting of such projects because there may be uncertainty about how much compliance should exist at the

time when a capital needs assessment is required.

Accordingly, for projects subject to Section 504 the needs assessor or inspector will identify as a deficiency the absence of accessibility features as measured against the requirements for new construction described at 24 CFR 8.22. The Lender must review and evaluate the identified accessibility deficiencies in light of the requirements described above under "New Construction," and "Substantial and Other Alterations." Deficiencies must be remedied unless the lender demonstrates that:

1. The remedy could not/cannot be accomplished without "removing or altering a load-bearing structural member," or;
2. The remedy did/would impose an "undue financial and administrative burden," or
3. The deficient component is original construction unaltered since July 11, 1988 and not required to have been altered as part of any past substantial or other alterations and not now proposed for any repair or alteration.

When considering the term "undue financial and administrative burden" borrowers and lenders should understand that the scope of the exemption is narrowly construed. Burden is measured against the resources not only of the mortgagor entity but also of its sponsors and members. The term is also intended to exclude possible remedies that would require an owner to engage in activities beyond those normal for an owner of multifamily property, e.g. hiring personal aides to assist tenants in climbing stairs or overcoming similar obstacles to accessibility.

F. ADA 2010 Standards as an Alternative to UFAS

In March 2011, the Department of Justice (DOJ), pursuant to its coordination authority under Section 504, advised Federal agencies that they may permit covered entities to use the 2010 ADA Standards for Accessible Design (the "2010 Standards") as an alternative to UFAS until such time as agencies update their regulation implementing the Federally assisted provisions of Section 504. Accordingly on May 23, 2014, HUD published a notice (the "Deeming Notice") permitting HUD recipients of Federal financial assistance to use the 2010 Standards (along with certain additional requirements found in 24 CFR Part 8) for purposes of complying with Section 504 for new construction, substantial alterations and other alterations commenced on or after May 23, 2014. (See citation for the Deeming Notice in Subsection G, Resources, #2, below.) The Deeming Notice is particularly useful for designers and owners of projects required to meet both the requirements of Section 504 as well as the 2010 Standards under the ADA, (e.g., LIHTC deals with Federal assistance such as HOME or Section 8.)

G. Section 504 and UFAS Resources

1. The *Uniform Federal Accessibility Standards* may be found at United States Access Board http://www.access-board.gov/guidelines-and-standards/buildings-and-sites/about-the-aba-standards/ufas#intro

2. The *Deeming Notice* was published in the Federal Register on May 23, 2014 at 79 Fed Reg. 29,671 and may be seen at http://www.regulations.gov/#!documentDetail;D=HUD-2014-0042-0001
3. Further information on Section 504 may be found at http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp/disabilities/sect504
4. A useful Field Inspection checklist and guide may be found at http://www.hud.gov/offices/fheo/library/UFASAccessibilityChecklistforPHAs-5-7-08.pdf

V. The Americans with Disabilities Act (ADA)

A. Title III

Title III of the ADA applies to any portion of an insured multifamily property that is a public accommodation, i.e., a portion of the facility owned, operated, or leased to or by a private entity for use by, and open to, the general public. This includes any leasing office or facility together with public restrooms and public lobbies. Common areas available only for use by tenants or the guests of tenants are not subject to the ADA [but are subject to the Fair Housing Act and/or Section 504]. Any commercial uses included in an insured multifamily property are also covered by the ADA. This includes any retail, office, hotel, or special purpose facility, such as a day care center, senior center, etc.

When evaluating physical characteristics of leased commercial space at insured multifamily projects, tenant improvements and/or furnishings should not be considered as they are not a responsibility of the mortgagor. Particular attention should be given to aspects of accessibility related to the structure, means of ingress, egress, and public safety (e.g. emergency warnings, exits, etc).

The regulations implementing Title III of the ADA are found at 28 CFR Part 36 and extensive regulatory and technical assistance is available at http://www.ada.gov/.

ADA information and technical assistance is available at 800-514-0301 (voice) and 800-514-0383 (TTY).

B. Title II

Title II of the ADA obligates state and local governments to make all public programs and facilities readily accessible to and useable by persons with disabilities if construction or alteration of facilities began on or after January 26, 1992. This includes the activities and programs of state and local government housing and community development entities such as

state housing finance agencies. A significant factor is that state housing finance agencies allocate Low Income Housing Tax Credits (LIHTCs), a funding resource common in the multifamily market place. For a time state and local governments had a choice of standards to be used to measure compliance but now are required to use the 2010 ADA Standards. The change in options available over time has resulted in an inventory of LIHTC (and some other properties) that may have different standards for compliance depending on the year built and the state or local agency involved. The possible standards and dates are as follows:

Date of Construction or Alteration	Applicable Standards
January 26, 1992 to September 15, 2010	1991 ADA Standards or UFAS
On or after September 15, 2010, and before March 15, 2012	1991 ADA Standards, UFAS, or 2010 ADA Standards
On or after March 15, 2012	2010 ADA Standards

Current requirements for new construction are readily discernable: the 2010 ADA Standards. But requirements that may apply currently to existing properties or that may have applied to existing properties at the time of construction may be uncertain. When preparing a needs assessment for an application for a property assisted by a state or local program the lender and needs assessor should consult the relevant Qualified Allocation Plan (for LIHTCs) or other state/local program guidance to determine the standard to be applied and/or directly inquire of the relevant agency concerning the accessibility requirements applicable to the property.

In all cases involving the accessibility requirements of state and local programs the role of the lender and needs assessor is to compare the conditions at a specific property to the requirements imposed by the state/local program. Whether or not the state or local program properly addresses the requirements of ADA Title II is not an issue to be determined when underwriting or preparing a CNA for a particular property.

VI. Meaning of Accessible and/or Adaptable

A. Accessible

For purposes of Section 504, “accessible,” when used with respect to the design, construction, or alteration of a facility or a portion of a facility other than an individual dwelling unit, means

that the facility or portion of the facility can be "approached, entered and used by individuals with physical handicaps. The phrase *accessible to and usable by* is synonymous with accessible". 24 CFR 8.3.

In reference to the Fair Housing Act, 24 CFR 100.201 defines "accessible," when used with respect to the public and common use areas of a building containing covered multifamily dwellings, with the same language as Section 504. However, the Fair Housing Act definition of "accessible" references different standards (the safe harbor standards, not UFAS) and covered multifamily dwellings are not required to be "accessible" but rather must include certain "features of adaptable design" as described in this Appendix 5B Section III above.

B. Accessible Routes

For purposes of the Fair Housing Act, an accessible route is defined as a "continuous unobstructed path connecting accessible elements and spaces in a building or within a site" negotiable by a person with a severe disability using a wheelchair and that is also safe and usable by persons with other disabilities. 24 CFR 100.201. Any route which complies with ANSI A117.1-1986 or a comparable standard is an *accessible route.* For Section 504, 24 CFR 8.3 defines an accessible route as a continuous unobstructed path connecting accessible elements and spaces in a building or facility that complies with the space and reach requirements of applicable standards prescribed by § 8.32. Currently UFAS is the standard under 8.32.

C. Accessible Units

In regard to dwelling units, the Fair Housing Act requires that all "covered multifamily dwellings" (see Section III, subsection A of this Appendix 5B) with a building entrance on an accessible route have accessible public and common use areas and doors wide enough to allow passage into and within the premises by persons in wheelchairs. Unit interiors must have the following "features of adaptable design:" an accessible route into and through the dwelling; light switches, electrical outlets, thermostats and other environmental controls in accessible locations; reinforcements in bathroom walls to allow later installation of grab bars; and usable kitchens and bathrooms such that an individual in a wheelchair can maneuver about the space. 24 CFR 100.205(c). By contrast HUD's Section 504 regulations require that multifamily housing projects contain a minimum of 5% of units or at least one unit, whichever is greater, accessible for persons with mobility impairments and an additional 2% of units or at least one unit, whichever is greater, accessible for persons with hearing or vision impairments. In circumstances where greater need is shown, HUD may prescribe higher percentages. Further, accessible units must, to the maximum extent feasible and subject to reasonable health and safety requirements, be distributed throughout projects and sites and shall be available in a

sufficient range of sizes and amenities so that a qualified individual with disabilities' choice of living arrangements is, as a whole, comparable to that of other persons eligible for housing assistance under the same program. 24 CFR 8.26. An accessible dwelling unit is defined as a unit "on an accessible route and adaptable and otherwise in compliance with the standards set forth in Section 8.32".

D. Adaptability

HUD's Section 504 regulations permit recipients to construct or convert adaptable units. A dwelling unit that is on an accessible route, as defined by HUD's Section 504 regulations and UFAS, and is adaptable and otherwise in compliance with the standards set forth in 24 CFR § 8.32 is "accessible". Adaptable or adaptability means the ability of certain building spaces and elements, such as kitchen counters, sinks, and grab bars, to be added or altered so as to accommodate the needs of either disabled or nondisabled persons, or to accommodate the needs of persons with different types or degrees of disability.

As noted the Fair Housing Act requires that the interior of covered units have certain "features of adaptable design". The latter are not to be confused with adaptability, as defined by HUD's Section 504 regulations and UFAS. The "features of adaptable design" required by the Fair Housing Act must be accomplished at the time of construction and not as later alterations or on an "as needed" basis. Similarly, adaptability as defined for Section 504 purposes does not contemplate adding or altering features in a manner requiring construction. But for Section 504 "adaptable" does include the concept that a unit designed in compliance with UFAS may lack specific items needed by a tenant (e.g. grab bars or countertops at a different elevation.) When required by a tenant, such items must be provided at no cost to the tenant.

Accordingly, needs assessors may not describe construction as an "adaptation" and thereby omit from the enumeration of critical repairs, (or defer to a later or "as needed" time), construction required to comply with accessibility requirements.

C. Seismic Resistance and Fire Protection Standards for Existing Buildings

I. Seismic Resistance Standards for Existing Buildings

A. General

To improve seismic safety in older buildings and to preserve existing housing, project applications for substantial rehabilitation and refinance must comply with the relevant standards published by the American Society of Civil Engineers (ASCE) and its affiliate the

Structural Engineering Institute (ASCE/SEI). The relevant standard is ASCE 41-13 Seismic Evaluation and Retrofit of Existing Buildings.

B. Exempt Buildings

Many buildings are exempt from the seismic hazard and building performance analysis required by ASCE 41-13. These are:

1. Any single story, wood or steel frame building with total building area equal to or less than 3,000 square feet;
2. Any single story accessory building (i.e., no dwellings in structure);
3. Any detached or semi-detached structure where the Design Earthquake Spectral Response Acceleration Parameter $S_{XS,BSE\text{-}1E}$ is less than .400 g; and
4. Any building with both Design Earthquake Spectral Response Acceleration Parameters:
   a. $S_{XS,BSE\text{-}1E}$ less than .330 g, and
   b. $S_{X1,BSE\text{-}1E}$ less than .133 g.

The values for S_{XS} and S_{X1} may be seen as provided output from a Design Maps Summary Report obtained from the US Geological Survey at
http://earthquake.usgs.gov/designmaps/us/application.php
where several queries must be answered as follows:
"Building Code Reference Document" must be entered as "2013 ASCE-41";
"Earthquake Hazard Level, analysis procedure" should be entered as "BSE-1E";
"Report Title" should be the project or property name;
"Site Soil Classification" should be entered as one of the five International Building Code defined possibilities (1-hard rock, 2-rock, 3-very dense soil and soft rock, 4-stiff soil, 5-soft clay), which if not known for the location, may be obtained from the relevant local building code official with jurisdiction;
Latitude & Longitude may be entered directly or will populate automatically when the user specifies an address in the adjacent mapping tool.
After completing these queries the user clicks "compute values" and the web-site generates a Design Maps Summary Report as a .pdf file. (The user may be required to "enable pop-ups" in their internet browser software application.) The referenced values are found under the heading "USGS-Provided Output" These values should be entered in the identified spaces for S_{XS} and S_{X1} in the CNA e Tool.

C. Buildings Not Exempt

Buildings that are not exempt require a seismic hazard analysis prepared in accordance with ASCE 41-13 or a determination that the building is a "benchmark building" as defined by ASCE 41-13. A "benchmark building" is an existing building originally built to or later retrofitted to an identified design code that equals or exceeds the standards defined by ASCE 41-13. A licensed design professional experienced with lateral force design must determine

whether or not a building is a "benchmark building." The design professional must review the plans (if available) and perform a site visit to confirm that the building does in fact meet the benchmark building code. If a determination cannot be made by this means, , a seismic hazard analysis must be completed on the building. The hazard analysis should include an examination of the structure for continuity, ductility and resistance to lateral forces. The analysis shall assume a building performance objective of "life safety" as defined by ASCE 41-13. Mitigation must be provided to meet minimum life safety requirements. In general this means that for a design earthquake (i.e. a measure of the anticipated event) the building may be expected to avoid partial or total structural collapse, or damage to nonstructural components which damage would be life threatening, e.g., damage leading to fire, blocked egress, release of hazardous materials, etc.

II. Fire Protection

A. Fire/smoke detection, alarm and communication systems must comply with the Life Safety Code, NFPA 101, for the entire project.

a. The 2006 NFPA 101, paragraph 31.3.4.5.1, states that "…approved single station smoke alarms shall be installed … outside every sleeping area in the immediate vicinity of the bedrooms and on all levels of the dwelling unit, including basements", and the regulation in 24 CFR 200.76 requires that smoke detectors must also be installed inside each sleeping area.

Accordingly, smoke detectors must be installed:

a. Inside all bedrooms;
b. Outside every sleeping area in the immediate vicinity of the bedrooms, and
c. On all levels of the dwelling unit, including basements.

2. For Section 223(f) & 223(a)(7) projects, installation of required smoke detectors is a Critical Repair.
3. The regulation does not specify whether the required smoke detectors must be hard wired or battery powered. However, Section 3.3.9.1 of NFPA 101 permits a battery-operated device.
   a. For substantial rehabilitation projects, regardless of the scope of work, hard wired smoke detectors are required.
   b. Considering the difficulty, time and expense of feeding electrical wiring through the walls of existing buildings, battery-operated smoke detectors are acceptable in Section 223(f) and 223(a)(7) projects.
   c. If battery powered, the smoke detectors must have power cells with the following characteristics:

(1) The cells must have a ten-year life.
(2) The cells must be tamper-resistant;
(3) The cells cannot be used in any other toy or appliance;
(4) The smoke detector may have a manual (but not automatic) silencing device to clear unwanted alarms such as cooking smoke.

Smoke detectors as described above appear to meet the intent of the smoke alarm requirements in Section 9.6.2.10 of NFPA 101.

B. Any new construction must have a sprinkler system as required by NFPA 101.

C. For substantial rehabilitation, Level 3 Alterations must comply with NFPA 101 fire protection provisions for new construction.

D.. New additions must be separated from existing structures, even if the entire facility is included under one mortgage. Separation must equal or exceed:
1. Two-hour rated firewall;
2 One and one half (1 ½) hour protected openings;
3. Class B labeled fire doors;

E. New construction of additions in substantial rehabilitation projects must comply with standards for new construction.

D. Energy Codes

A. Applicability of Energy Codes by Program and Class of Work
New construction projects must conform to the energy codes identified in this appendix. Gut rehabilitation projects must conform to these energy codes except where compliance cannot be obtained due to required preservation of historic buildings or spaces or elements of buildings.

B. Buildings up to Three Stories
Building up to three stories must meet or exceed the requirements of the International Energy Conservation Code, 2009 Edition (or such later versions as may be adopted by the Secretary of HUD).

C. Building Over Three Stories
Building over three stories must conform to the requirements of the American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) Standard 90.1, 2007 edition (or such later versions as may be adopted by the Secretary of HUD).

D. Life Cycle Cost References and Tools
For guidance on the life-cycle cost analysis, see 2011 ASHRAE Application Handbook, and the US Department of Energy, National Institute of Standards and Technology (NIST)

"Building Life-Cycle Cost" Program, Version BLCC 5.3-14 User's Guide and Reference Manual.

E. Firm Commitment Drawings and Specifications to be Submitted by the Borrower's Architect

I. New Construction and Gut Rehabilitation

A. Cover sheet:

1. Project name and identification number.

2. Spaces for signatures of Project Architect, Architect administering contract, owner, contractor, Lender, and bonding company.

3. Tabulation of living units:

   a. Number of units for each type.

   b. Number of units and type in each building.

   c. Non-rental living unit.

   d. Number of parking spaces, open, covered, common area garage spaces and in unit garage spaces (garage part of dwelling unit and only available to tenant of that unit) .

B. Index of drawings by name, numbered consecutively, with date of preparation and latest revision date. Consecutive numbering is required for each drawing category (Architectural, Land Improvements, Structural, Plumbing, HVAC, Electrical, etc., shown as A-1, A-2, A-3… L-1, L-2, L-3, etc.), but absolute consecutive numbering of the entire set is optional and would appear only in addition to the categorical numbering.

C. ALTA/ACSM Land Title Survey including items 5 and 6a and 6b of Table A of the ALTA/ACSM Minimum Standard Detail Requirements at a scale of 1" = 40' dated not more than 6 months prior to the date of application for firm commitment. Note that the survey and the HUD 91073M must be updated and certified not earlier than 120 days before intial endorsement.

D. Proposed Plot plan/site plan at a scale not less than 1"= 40'- 0" showing:

1. Land boundaries, dimensions, and North Point.

2. Streets, alleys, or roads adjacent or within the property boundaries, together with walks, curbs, pavements, steps, ramps, play areas, parking areas, and drying yards, and utilities such as gas, water, electric, and sewer lines.

    a. Dimension or size with distance from location points, material indication for such items as walks and pavements, and extent of each.

    b. Indications of "new" or "existing" and public dedication of any streets or alleys in the project.

3. Buildings, building designations, location dimensions, and overall dimensions.

4. Elevations of first floor, elevations of finish and existing grade at building corners and entrances, elevations of curbs and streets, and invert elevations of main sewer and direction of flow.

5. Utilities servicing the property, or distance to point of connection and utility lead-ins of service connections; yard lighting; lawn hydrants and lawn sprinkler systems with the pipe sizes and controls; drains; and fire hydrants.

6. Retaining and garden walls, fences, guard rails, garages and accessory structures, with dimensions.

7. Existing trees and other natural features and whether to be removed or preserved.

E. Grading and drainage plan at a scale not less than 1"= 40'- 0" when essential information cannot be clearly shown entirely on the plot plan/site plan.

1. Grade elevations at all building corners and at entrances, walks, drives, parking areas, terraces, yards, walls and steps, and first floor elevations. Existing and proposed grading contours at appropriate intervals.

    a. Yard and roof drainage with controlling grades and dimensions of drainage lines, culverts, catch basins, drainage inlets, gutters, curbs, drainage disposals, and any existing facilities.

F. Planting plan at a scale not less than 1"= 20'- 0" indicating:

1. Outline of buildings and other improvements with physical features of the site to establish the location and relationship of planting and landscape construction.

2. Distribution of plant material, location, quantity and key number of each general species in each group; outline of planting beds, primary lawn areas, secondary lawn areas and existing trees to be preserved or transplanted.

3. List of plant material using English and Latin names, key number for each variety for reference to plan, and the size, quality or other description.

G. Basement plans for each building type at a scale not less than 1/8"= 1'- 0." (Foundation plans when no basements.)

1. Dimensions and names indicating use of spaces, with the layout of permanent equipment.

2. Location of structural elements with dimensions or notes as to: thickness and size; windows; vents; areaways; doors; lights and switches; drains; sumps; etc. Unless there is a separate foundation plan, show locations and size of footings, piling and other substructure work.

3. Large-scale drawings or details of spaces not clearly shown.

H. Floor plans:

1. Unit floor plans at a scale not less than ¼"= 1'- 0" for each basic type living unit and any major variation. Separate unit plans are not required when the general floor plans are provided at ¼-inch scale and contain all essential information.

a. Partitions to scale; rooms, closets and hall dimensions; over-all dimensions; window locations and type designations referring to schedule showing design, thickness, and size; dimensioned stair locations, runs and width, landings and handrails.

b. Plumbing fixtures; soil and vent stacks; kitchen cabinets and equipment; electric lights; switches, receptacles, and special power outlets; closet shelving and clothes rods; radiators or other heating devices, chimneys, and all other such items.

c. Location of structural elements such as columns, lintels, joists, beams, girders, and bearing partitions. Show sizes, spacing and direction of members. Separate structural drawings are required where the structural information would obscure other information.

d. All conditions where units are to join other units; end-unit conditions.

e. Identification of living unit types by a number or letter.

2. General floor plans at a scale not less than 1/8" = 1'- 0."

a. Dimensional relation of living and building units with over-all dimensions of building units and buildings, partition arrangement and fenestration of end units, units at corners and units at offsets; other partitions as necessary to show variations from the typical unit plans and relation of rooms in adjacent living units, wall separating building units, and their material and thickness.

b. Buildings and those units identified by numbers or letters.

I. Roof plans at a scale not less than 1/8" = 1'- 0."

1. Relation of intersection of the various building unit roofs; direction of slopes; parapets, chimneys, vents, and other projections; downspout locations and sizes.

2. Omit where the essential information can be shown clearly on the plot plan or other drawings.

J. Elevations:

1. General elevations at a scale not less than 1/8" = 1'- 0." Exterior design of all sides of buildings with existing and proposed grades at buildings, floor lines and elevations, floor height dimensions, roofs, attic vents, parapets, cornices, downspouts, openings, material notes, and other essential features.

2. Typical elevations at a scale not less than ¼" = 1'- 0" to show portions of facade with a special exterior design. Show materials, jointing, special features, windows, doorways, cornices, parapets, and details.

K. Sections:

1. Outline sections - scale not less than ¼"=1'- 0". Show various height conditions, cross

sectional characteristics, and floor level relations, when other drawing information is not adequate.

2. Detail sections - scale not less than 3/8"=1'- 0". Show each type of exterior wall and bearing wall or partition, from footings to roof.

3. Exterior wall sections - scale not less than 3/8"=1'- 0". Show complete construction of walls with thickness at various stories, floors, furring, waterproofing, ceilings, roofs, including pitch and flashings, room heights, anchorage and bearings, cornice and gutter, insulation, vapor barrier, foundation walls and footings, conditions at various basement depths, basement floors or access space, roof space, attic and foundation vents.

L. Details at a scale not less than 3/8"=1'- 0". Provide the following except where such features do not occur:

1. Front and rear entrances, plan of each with elevations and sections.

2. Stair plans and sections showing stringers, treads, risers, newels, balusters, handrails, rise, run, and headroom.

3. Kitchen cabinet plans, elevations and sections.

4. Bathroom plans with elevations showing accessories and cabinets.

5. Standard location and elevation for electrical outlets, switches and controls.

6. Entrance lobbies.

7. Platforms and areaways.

8. Special exterior and interior details, such as bay windows, dormers, cupolas, vents, fireplaces, and built-in furniture.

M. Schedules:

1. Door schedules - size, thickness, material and design of each door, with plan identification. Fire doors, show rating.

2. Window schedule - size, thickness, materials and design of each window, with plan identification.

3. Finish schedule - material and type finish of floors, base or wainscot (with height), walls, ceilings and trim for various rooms or spaces.

N. Structural: Drawings and details as appropriate, with complete structural information, must be provided when such information cannot be shown on general drawings without obscuring other information.

O. Mechanical/Electrical/Plumbing (MEP): Heating, cooling, plumbing and electrical layouts on separate drawings unless the systems are simple enough to be shown on other drawings. Include all pertinent design data. Show special mechanical installations separately.

1. Heating drawings for each system.

   a. Location and size of boilers, furnaces, or heaters; the make, model number or type fuel input and net heat output of each.

   b. Layout, location, and sizes of supply and return piping, ducts, risers, and branches, and insulation locations.

   c. Location, sizes and output in BTU of radiators, registers, grille and panel surfaces, valves, vents, traps, dampers and other accessories; make, model number or type of each.

   d. Make, model number, and firing rate of all firing equipment, and similar detailed data on other components of each system, such as, controls, pumps, blowers, and filters.

   e. Location, type, manufacturer's name, and model number of domestic water heating and related equipment including: storage, arrangement and sizes of connecting piping; make and model number and other pertinent information for control equipment and safety devices.

   f. Design data for the system, including outside design temperature, boiler operating temperature, BTU output, pressure or temperature drops, air temperatures at registers, pump or fan capacities, volumes, and velocities, heat loss of each building and total calculated heat load connected to each heating system; net output in BTU of each boiler and system.

g. Design data for each domestic hot water system and, when connected to a heating system, the additional heat load included in the total for the connected system.

2. Plumbing drawings:

   a. Horizontal sewer and drain systems with soil, waste, and vent stacks; branch wastes and vents; drains, cleanouts, traps, sump pumps, etc., connections to sewer, sizes of lines and stacks. Diagram of typical stack including soil, waste, and vents.

   b. Cold water distribution system, size of mains and branches, location of hose bibs, valves and drains.

   c. Hot water distribution system together with circulating lines and pumps, valves, sizes of mains and branches.

   d. Gas distribution system, size of mains and branches, meters, etc.

3. Electrical drawings:

   a. Service lines, primary distribution and secondary distribution, service characteristics and wire sizes.

   b. Meter and panel locations and manner of mounting.

   c. Interior distribution and wiring of typical units.

   d. Lights, receptacles, switches, special purpose outlets, and connections to equipment if not on the architectural plans.

   e. Yard and grounds lighting and lighting of all public and common spaces and controls.

   f. Power riser diagram and switchboard schedule.

   g. Fire detection and alarm system riser diagram and schedule.
   h. Symbol list.

4. Air conditioning drawings:

   a. Locations, cooling capacity, and horsepower of compressor; cooling tower condensing units; and individual cooling units. Make, model number, and rating.

   b. Layout of system including ducts, grilles, registers, diffusers, pipe sizes, and location of valves, vents, dampers and controls.

   c. BTU load for each space, size and rating of equipment.

   d. Design data for the system, including: CFM space requirements; blower ratings, type condenser cooling; inlet and outlet water temperature; and GPM water-flow rate.

   e. Electric wiring layout, location of motors, fans, pumps, switches, and their load requirements.

P. Any other drawings required by lender.

Q. Appropriate general and supplementary conditions and Davis-Bacon wage rates (where applicable).

R. Contract specifications: Use a currently supported version of CSI Master Format specifications of the Construction Specifications Institute (CSI).

   1. Describe all materials, equipment, and construction and include two, and preferably three, comparable products where practicable, or specify by performance characteristics.

   2. Include the latest edition of the "General Conditions of the Contract for Construction", AIA Document A201.

   3. Fully describe all materials, including alternates, and do not use general references to HUD's Minimum Property Standards. Do not include the words "or equal".

4. Divide into sections separately describing the work to be done by each trade essential to project completion. Consecutive page numbering is required for each trade category (Concrete, Masonry, Metals, etc.), but absolute consecutive numbering of the entire specification is optional, and would appear only in addition to the trade numbering. Include the following items:
   a. A cover sheet: Must include title of project, the lender, project number, project location, and a signature block setting forth:

      IDENTIFICATION

      Architect (Print Name) by (Signature)
      Owner (Print Name) by (Signature and Title)
      Contractor (Print Name) by (Signature and Title)
      Lender (Print Name) by (Signature and Title)
      Bonding Co.(Print Name) by (Signature and Title)
      Date_____

   b. Index.
      (1) Divisions with name.
         (a) Trade, name and page number.
         (b) Trade section, name and page number.
      (2) Pages numbered consecutively
   c. Conditions.
      (1) General Conditions of the Contract for Construction, AIA Document A201, latest edition.
      (2) Supplementary Conditions of the Construction Contract, Form HUD-2554, latest edition.
      (3) Architect's Supplementary Conditions, if any.
   d. Trade sections. Include:
      (1) Complete description of all work to be performed. This will include scope of work, materials and workmanship.
      (2) Necessary specific instructions for coordinating the work with other trades.
   e. Methods of Specifying.
      (1) Performance. List required qualities of products and assemblies and end result.
      (2) Reference Standards. Incorporate references to nationally recognized standards published by industry associations, testing organizations and government, such as American National Standards Institute (ANSI), Underwriters' Laboratories (UL), and Department of Commerce (DOC).

(3) Proprietary. List products and assemblies by manufacturer or brand name, and grade or model.
(a) Include at least two comparables.
(b) Use a single brand only if there is no comparable.

f. Unacceptable.
(1) Use of the words "or equal".
(2) Reference to HUD or HUD publications, such as:
(a) Minimum Property Standards (MPS),
(b) Materials Bulleting (UM),
(c) Materials Releases (MR), and
(d) Structural Engineering Bulleting (SEB).
(3) Cash or lump sum allowances.

S. Offsite Drawings and Specifications.
1. Offsite improvements are those required to service the project but outside of the property boundary lines.
a. Include utilities, walks, curbs, gutters, streets, drainage structures, landscaping, and similar improvements beyond the property lines.
b. Do not include short extensions of utilities, walks, drives, drainage structures and similar improvements beyond the property lines which connect with those next to the property lines.
2. Offsite improvements may be included in the contract drawings and specifications but the extent must be clearly defined on the plot plan and in the specifications.
3. Complete, separate offsite drawings and specifications are preferred.

T. Utility Analysis. The project architect (or a qualified energy professional) will prepare a utility analysis in order to estimate whole building utility consumption by type of utility divided between consumption paid by the owner and consumption paid by tenants assuming average tenant consumption adjusted for unit size and unit unit mix. For HUD energy efficiency code standards see Appendix 5D. For guidance on the life-cycle cost analysis, see 2011 ASHRAE Applications Handbook, 35.8, and the National Institute of Standards (NIST) "Building Life-Cycle Cost" Program, Version BLCC 5.3-14 User's Guide and Reference Manual. Results of the utility analysis must be entered and recorded in Portfolio Manager and the HUD Custom Statement of Energy Design Intent (SEDI) obtained and attached to the Capital Needs Assessment when the CNA is submitted by the lender to the CNA e Tool. (See Appendix 5G)

F. HUD Review Report Format

The following review reports formats are to be used to document Technical Reviews. The Technical Support Division Branch Chiefs and Production Division Directors have discretion to approve modifications or alternative formats.

1 HUD Architectural Review Report for Pre-Application Exhibits

HUD Office Name _____
Pre-Application Submission Date _____
Project Name _____
Project Location (City, State) _____, _____
MAP Lender Name _____

Summary of HUD Architectural Review

A. Architectural/Engineering exhibits (including Project Architect's Basic Work Write-up for Substantial Rehabilitation projects)
If incomplete, specify:

B. Conformance to HUD Standards
If unacceptable, indicate reasons:

C. Site conditions:
1. New construction projects:
   a. Placement of residential building(s)
   b. Unusual site conditions

If unacceptable, indicate reasons:

2. Substantial rehabilitation projects-Borrower's Architect's Basic Work Write-up

If unacceptable, indicate reasons:

D. Residential building(s):
1. Lobby floor:
   a. Circulation
   b. Project Architect's Basic Work Write-up (for substantial rehabilitation projects)

If unacceptable, indicate reasons:

2. Typical floor:
   a. Circulation
   b. Project Architect's Basic Work Write-up (for substantial rehabilitation projects)
   c. Acceptability of design

If unacceptable, indicate reasons:

3. Typical apartment layout(s):
   a. Circulation
   b. Project Architect's Basic Work Write-up (for substantial rehabilitation projects)

c. Size and marketability (determined by appraiser)
d. Acceptability of design

If unacceptable, indicate reasons:

4. Structural system (Include Project Architect's Basic Work Write-up for substantial rehabilitation projects)

If unacceptable, indicate reasons:

5. Exterior finish (Include Project Architect's Basic Work Write-up for exterior doors, windows and building finish for substantial rehabilitation projects)

If unacceptable, indicate reasons:

6. Rehabilitation of roof(s)-Project Architect's Basic Work Write-UP (substantial rehabilitation projects)

If unacceptable, indicate reasons:

I have reviewed the subject project and hereby make the following recommendation(s):

Reviewer:

Name of Reviewer _____

Signature and Date of Review _____ Date _____

Concurrence:

Name of Team Leader _____

Signature and Date of Concurrence _____ Date _____

2. HUD Architectural Review of Lender's Architectural Analyst's Report for Firm Exhibits - New Construction & Gut Rehabilitation

HUD Office Name _____
Firm Commitment Submission Date _____
Project Name _____
Project Location (City, State) _____ , _____
MAP Lender Name _____

Summary of HUD Architectural Review

A. Firm Commitment deliverables:

If incomplete, specify:

B. Lender's Construction Analyst's Review Report:
1. Site design and conditions:
   a. New construction:
      (1) Placement of buildings and parking
      (2) Erosion containment and drainage
   b. Gut Rehabilitation: Detail Work Write-up regarding:
      (1) Site utilities
      (2) Roads, walks, parking
      (3) Site improvements
      (4) Erosion containment and drainage
   c. Accessibility for persons with disabilities:
      (1) From street to residential and non-residential building(s)
      (2) From parking lot(s) to residential and non-residential building(s)
      (3) Throughout site
      (4) Any noncompliance with Fair Housing Act requirements for Gut Rehabilitation projects first occupied after March 13, 1991?
      (5) Any noncompliance with UFAS for assisted housing?

If unacceptable, indicate reasons:

2. Building design and conditions (include Detail Work Write-up for gut rehabilitation
   a. Fire safety
   b. Accessibility for persons with disabilities - residential and non-residential structures for common use according to Fair Housing Act's design and construction requirements, (See 24 CFR 100.205 and Appendix 5B). Gut Rehabilitation projects only if first occupied after March 31, 1991. If federally assisted, Section 504 and UFAS apply no matter when built (See 24 CFR Part 8 and Appendix 5B):
      (1) Circulation and community spaces

(2) Offices and other public spaces
(3) Typical residential units

If unacceptable, indicate reasons:

C. Review of A/E portion of completed Form HUD-92264 for accuracy with respect to A/E exhibits (Include Detailed Work Write-up for gut rehabilitation projects):
If unacceptable, indicate reasons:

D. Review of A/E exhibits for consistency with Lender's Review Report (Include Detailed Work Write-up for gut rehabilitation projects):

1. Site work (and site elevations for new construction):
If unacceptable, indicate reasons:
2. Soils investigation and report and foundation design and placement (new construction):
If unacceptable, indicate reasons:

3. Residential and non-residential structures:
If unacceptable, indicate reasons:
4. Accessibility for persons with disabilities: Compliance with the Fair Housing Act's design and construction requirements is mandatory for new construction and any rehab structure first occupied after March 13, 1991. If project is federally assisted, Section 504 and UFAS apply no matter when built:
   a. From street and parking lots to residential and non-residential buildings.
   b. Throughout site.
   c. Throughout residential and common non-residential structures and spaces.

If unacceptable, indicate reasons:

5. Design features unusual for the particular structure type and/or system.
If unacceptable, indicate reasons:

6. Utility analysis estimating utility and water consumption given proposed drawings, specifications and weather normalized year for the location separating consumption of utilities paid by owner from utilities paid by tenants.
   a. For new construction and gut rehabilitation: Project Architect and/or energy professional must provide the HUD Custom Statement of Energy Design Intent (SEDI) from Portfolio Manager as an attachment to the CNA, together with the utility analysis report signed by the project architect or energy professional.
   b. For new construction and gut rehabilitation: The HUD Custom SEDI must show an Energy Score not less than the minimum prescribed in MAP Guide Appendix 5G. If less than the threshold, the design of structures must be modified to achieve the minimum energy score.

(Note exceptions for gut rehabilitation of historic buildings.)
If unacceptable, indicate reasons:

7. Review CNA reserve-for-replacement analysis prepared in the CNA e Tool. For new construction and gut rehabilitation, replacements are those indicated given the estimated useful life of components specified in the project architect's drawings and specifications. The financial plan should be balanced in accordance with the instructions in MAP Guide Appendix 5G.
   If unacceptable, indicate reasons:

E. Other A/E exhibits (indicate):
   If unacceptable, indicate reasons:

I have reviewed the subject project and hereby make the following recommendation(s):

Reviewer:

Name of Reviewer _____

Signature and Date of Review _____ Date _____

Concurrence:

Name of Team Leader _____

Signature and Date of Concurrence _____ Date _____

3. HUD Architectural Review of Lender's Architectural Analyst's Report for Firm Exhibits – Substantial Rehabilitation less than Gut Rehab

HUD Office Name _____
Firm Commitment Submission Date _____
Project Name _____
Project Location (City, State) _____ , _____
MAP Lender Name _____

NOTE: The following summary of Section 504 applies to any housing which has ever received Federal assistance, such as Project-Based Section 8, CDBG, HOME funds, etc. (see Appendix 5B for definition of "Federally assisted.")

Summary of Section 504 of the Rehabilitation Act of 1973 and 24 CFR Part 8-Uniform Federal Accessibility Standards (UFAS) Requirements (See Appendix 5B):

> Any property which was built with federal assistance after July 11, 1988 must be in full compliance with 24 CFR 8.22. Properties built and assisted prior to July 11, 1988 have been obligated since that date to make all replacements and alterations conform to UFAS to the extent of the replacement and alteration and to make units accessible at the request of disabled tenants, unless particular elements of compliance required alteration of a load bearing wall or caused an undo financial and administrative burden. In the decades since 1988 significant compliance should have been achieved. Some existing properties may have become assisted after 1988 and compliance should, (but may not), have been achieved at the time of assistance and these properties also must make all replacements and alterations conform so as to achieve compliance over time as well as addressing the needs of disabled tenants. No assisted property is exempt. All must either be in compliance or must be progressing toward compliance subject only to forbearance for particular items of non-compliance by reason of the "load bearing wall" and the "undo financial and administrative burden" exemptions.

Summary of HUD Architectural Review

A. Firm Commitment deliverables:
   1. Due diligence reports and conclusions consistent with the due diligence work plan agreed to at either Concept Meeting or Pre-application including the Project Architects Detailed Work Write-Up;

2. The lender construction analyst's review report covering the detailed work write up, the drawings and specifications, the owner architect agreement, the owner contractor agreement, and the contractors cost and completion schedules (which should be incorporated into the CNA):
3. Lender's Capital Needs Assessment with attachments delivered in the CNA e Tool.
4. Attachments to the CNA:
   a. A completed A/E portion of form HUD-92264;
   b. Certificate of Occupancy or final inspection report, if available, or a statement from the Building Code/Zoning Code official recognizing any non-conforming use;
   c. Municipal code violation report, fire marshal's report, both clear;
   d. Local health officer's report/clear report for any private water supply or sewer treatment system;
   e. Property/site location map(s);
   f. Aerial photography or satellite view of site.
   h. As built plans if available
   i. Annotated photography of property conditions and any other due diligence reports, e.g. intrusive examinations by third parties, LBP, asbestos.
   j. O&M plans proposed or in place;
   k. From the Project Architect:
      (1) The owner architect agreement, AIA B108 and amendment;
      (2) The project architect's certification, Appendix 5H.1;
      (3) Drawings for all reconfigured spaces and/or altered site improvements.
   l. From the general contractor:
      (1) The owner contractor agreement, HUD 92442M and Supplementary Conditions HUD 92554M;
      (2) The contractor's cost breakdown, form HUD 92328;
      (3) The contractor's completion schedule.
   m. EPA Portfolio Manager HUD Custom SEP, and the utility analysis report signed by the energy professional;
   n. ASHRAE Level II Energy Audit if Energy Score on the SEP is less than the minimum threshold described in MAP Guide Appendix 5G;
   o. The borrower's chart of accounts (or relevant portions) describing capitalized vs operating expense items;
   p. A seismic report per Appendix C if threshold values for SXs and SX1 are exceeded;
   q. A statement of the needs assessor's and other third party examiner's (e.g. energy professional, intrusive examiner, seismic engineer) qualifications (if not included in CNA e Tool narrative form.)

If incomplete, specify:

B. Review of Physical Conditions, Scope of Work and CNA:
   1. Physical conditions and scope of work:
      a. Condition of project, assessed RUL of components justified; photography supports assessment, level of investigation consistent with age, type of construction and condition of the buildings.
      b. Project Scope of Work:
         (1) Repairs and alterations are detailed, costed, with estimated months to complete.
         (2) Dimensioned drawings are provided for all reconfigured spaces and CNA e Tool alternatives form is used to define detailed specification for repairs and alterations.
         (3) CNA e Tool is used to define quantities and costs.
         (4) Portfolio Manager HUD Custom SEP reflects utility consumption analysis. If minimum score threshold as described in MAP Guide Appendix 5G is met or exceeded, no further energy analysis or energy conservations measures are required. If threshold is not met, then an ASHRAE Level II energy audit must be prepared and identified cost beneficial conservation measures implemented.
         (5) If Seismic risk thresholds are exceeded and a seismic analysis and report are required per Appendix C, recommended retrofits have been included in scope of work.
         (6) Expected future repair, replacement, and major maintenance needs account for proposed repairs and alterations as well as assessed condition of all other capital items not repaired or replaced as part of the rehabilitation. Future repairs are consistent with owners proposed distinctions between capital items and operating expense.

   If unacceptable, indicate reasons:

   2. Financial factors and 20 year RfR plan
      a. Inflation adjustments to capital costs, short term interest rates on balances and percentage changes in ADRR are realistic and consistent, with no large, lump sum increases in ADRR from one year to the next;
      b. Financial plan meets the requirements described in MAP Guide Appendix 5G;

   If unacceptable, indicate reasons:

   3. Accessibility for persons with disabilities:
      a. Scope of work described in CNA e Tool addresses all accessibility deficiencies by describing the deficiency, prescribing and costing a remedy, identifying the applicable statute and estimating the time in months for completion of the remedy, (corrective action plan.)
      b. If time to complete exceeds 1 year or deficiencies cannot be corrected within the program underwriting parameters, submit corrective action plan to Director of Technical Support in Washington HQ.

   If unacceptable, indicate reasons:

C. Review of Construction Documents
   1. AIA B108 and Amendments and project architect's certification

2. Owner Contractor Agreement, Supplementary Conditions. Form HUD 2328 and construction schedule consistent with and/or reconciled to CNA e Tool List of Immediate Repairs.
3. Identities of interest disclosed and acceptable.

I have reviewed the subject project and hereby make the following recommendation(s):

Reviewer:

Name of Reviewer _____

Signature and Date of Review _____ Date _____

Concurrence:

Name of Team Leader _____

Signature and Date of Concurrence _____ Date _____

4. HUD Architectural Review of Lender's Architectural Analyst's Report for Firm Exhibits - Section 223(f)

HUD Office Name _____
Firm Commitment Submission Date _____
Project Name _____
Project Location (City, State) _____ , _____
MAP Lender Name _____

NOTE: The following summary of Section 504 applies to any housing which has ever received Federal assistance, such as Project-Based Section 8, CDBG, HOME funds, etc. (see Appendix 5B for definition of "Federally assisted.")

Summary of Section 504 of the Rehabilitation Act of 1973 and 24 CFR Part 8-Uniform Federal Accessibility Standards (UFAS) Requirements (See Appendix 5B):

> Any property which was built with federal assistance after July 11, 1988 must be in full compliance with 24 CFR 8.22. Properties built and assisted prior to July 11, 1988 have been obligated since that date to make all replacements and alterations conform to UFAS to the extent of the replacement and alteration and to make units accessible at the request of disabled tenants, unless particular elements of compliance required alteration of a load bearing wall or caused an undo financial and administrative burden. In the decades since 1988 significant compliance should have been achieved. Some existing properties may have become assisted after 1988 and compliance should, (but may not), have been achieved at the time of assistance and these properties also must make all replacements and alterations conform so as to achieve compliance over time as well as addressing the needs of disabled tenants. No assisted property is exempt. All must either be in compliance or must be progressing toward compliance subject only to forbearance for particular items of non-compliance by reason of the "load bearing wall" and the "undo financial and administrative burden" exemptions,

Summary of HUD Architectural Review

A. Firm Commitment deliverables:
   1. Lender's Capital Needs Assessment with attachments delivered in the CNA e Tool.
   2. Attachments to the CNA:
      a. A completed A/E portion of form HUD-92264;
      b. Certificate of Occupancy or final inspection report, if available, or a statement from the Building Code/Zoning Code official recognizing any non-conforming use;
      c. Municipal code violation report, fire marshal's report, both clear;

d. Local health officer's report/clear report for any private water supply or sewer treatment system;
e. Property/site location map(s);
f. Aerial photography or satellite view of site.
h. As built plans if available
i. Annotated photography of property conditions and any other due diligence reports, e.g. intrusive examinations by third parties, LBP, asbestos.
j. O&M plans proposed or in place;
k. If a project architect is engaged:
   (1) The owner architect agreement, AIA B104;
   (2) The project architect's certification, Appendix 5H.2;
   (3) Drawings/sketches for reconfigured spaces and/or altered site improvements.
l. If a general contractor is engaged:
   (1) The owner contractor agreement, AIA A 107;
   (2) The contractor's cost breakdown, form HUD 92328
m. EPA Portfolio Manager HUD Custom SEP, and the utility analysis report signed by the energy professional;
n. ASHRAE Level II Energy Audit if SEP Score is less than the minimum threshold described in MAP Guide Appendix 5G. Conservation measures must be identified and cost benefit analysis completed, but implementation of cost beneficial measures is not required;
o. The borrower's chart of accounts (or relevant portions) describing capitalized vs operating expense items;
p. A seismic report per Appendix C if threshold values for SXs and SX1 are exceeded;
q. A statement of the needs assessor's and other third party examiner's (e.g. energy professional, intrusive examiner, seismic engineer) qualifications (if not included in CNA e Tool narrative form.)

If incomplete, specify:

B. Review of CNA:
   1. Physical Inspection:
      a. Condition of project, assessed RUL of components justified; photography supports assessment, level of investigation consistent with age, type of construction and condition of the buildings.
      b. Project's:
         (1) Immediate repair needs, both critical and non-critical, are detailed, costed, with estimated months to complete for those which can be deferred beyond endorsement;
         (2) Dimensioned sketches or drawings are provided for reconfigured spaces sufficient to confirm accessibility and to support inspection of completed work
         (3) Expected future repair, replacement, and major maintenance needs reflect assessed condition of all capital items at property consistent with owners distinction between

capital items and operating expense.

If unacceptable, indicate reasons:

2. Financial factors and 20 year RfR plan
   a. Inflation adjustments to capital costs, short term interest rates on balances and percentage changes in ADRR are realistic and consistent, with no large, lump sum increases in ADRR from one year to the next;
   b. Financial plan meets the requirements described in MAP Guide Appendix 5G;

If unacceptable, indicate reasons:

3. Accessibility for persons with disabilities:
   a. CNA identifies and documents accessibility deficiencies by describing the deficiency, prescribing and costing a remedy, identifying the applicable statute and estimating the time in months for completion of the remedy, (corrective action plan.)
   b. If time to complete exceeds 1 year or deficiencies cannot be corrected within the underwriting parameters of Section 223(f), submit corrective action plan to Director of Technical Support in Washington HQ.

If unacceptable, indicate reasons:

I have reviewed the subject project and hereby make the following recommendation(s):

Reviewer:

Name of Reviewer _____

Signature and Date of Review _____ Date _____

Concurrence:

Name of Team Leader _____

Signature and Date of Concurrence _____ Date _____

G. Capital Needs Assessments

I. WHAT IS A CAPITAL NEEDS ASSESSMENT?

A. General

A Capital Needs Assessment (CNA) is a due diligence report describing the physical inventory of a multifamily property and characterizing the condition and expected durability of that inventory for the purpose of budgeting for future capital repairs and replacements. A CNA includes a financial plan or annual schedule of anticipated capital costs and corresponding funding needed to meet expected costs. The period of years covered by the financial plan is called the Estimate Period. The financial plan should be periodically updated and revised to recognize actual results during the life of an asset and for this reason a new CNA is required for insured properties at intervals not greater than 10 years. This "10 year update" requirement applies to all properties insured under Section 223(f) since the first publication of the MAP Guide in 2002 and to properties insured under Sections 220, 221, 223(a)(7), and 231 since the effective date of Mortgagee Letter 2010-21, (Risk Mitigation, September 6, 2010).

When prepared for an existing property a CNA requires an on-site physical inspection. Accordingly, it is the primary means of identifying immediate physical needs or deficiencies and specifying the nature, location and expected cost of the repairs, replacements and/or alterations required to address immediate needs.

When prepared for a property to be built, a CNA is only an inventory of the proposed construction (buildings, units, components, quantities) and an estimate of the expected durability of the proposed construction components with a corresponding plan to finance future capital needs as they are expected to occur.

CNAs of existing buildings prepared for HUD must at a minimum meet the requirements of ASTM E 2018-08 for the preparation of needs assessments. Numerous additional requirements may apply to particular properties or programs as described herein.

B. CNA e Tool

As part of an effort begun in 2010 to align Federal rental housing policies and procedures, HUD and the US Department of Agriculture (USDA), Rural Housing Service, developed an automated process for preparation, submission and review of CNAs. The several software tools and web applications that form the elements of this automated process are called the CNA e Tool. Technical information, instructions on how to access and use the CNA e Tool, and related information are published and periodically updated at HUD's CNA e Tool home page:

URL to be announced

HUD requires that all CNAs prepared for HUD-FHA insured multifamily properties be prepared, submitted and reviewed using the CNA e Tool.

C. Standard Estimated Useful Life Table

A key product of the alignment effort and a basic, built-in data set for the CNA e Tool is a standardized list of types of site improvement and building components. This list is called the Standard Estimated Useful Life Table and it includes for each component type an estimate of useful life. The term "estimated useful life" (EUL) refers to a period of years in which a given component of average quality under average conditions of use may be expected to remain serviceable for its intended purpose. Remaining useful life (RUL) is the result obtained by subtracting the age of a component from its EUL.

Because of the large number of possible component types the Standard Estimated Useful Life Table is organized in categories of components in accordance with the ASTM E 2018-08 outline for needs assessments. The CNA e Tool names these "Need Categories." For example the first Need Category is named "site systems." To further assist the user the CNA e Tool recognizes sub-categories called "Need Items" and so for example, "Storm Water Drainage" and "Paving, Curbing and Parking" are found under the need category "site systems." Component Types are more specific items that might be used in, for example, a parking lot, such as concrete, asphalt, pavers, etc. A standard EUL is only assigned to a component type and the EUL may differ depending on whether the property is "family" or "elderly." After identifying a component type, the user may further specify or describe the nature or kind of component by giving it a "component ID" or name, such as "modular concrete pavers." It is expected that needs assessors may name numerous components of the same "component type" in order to describe different products used, or groups of components distinguished by age, brand name, size, location or other relevant parameters.

When observing actual conditions at a property or specifying actual products or methods to be used in construction, needs assessors must recognize variations from average. The needs assessor does this by entering an "assessed RUL" representing the assessor's best professional judgment concerning the number of years the component will be serviceable from the date of the CNA.

II. SUMMARY OF BASIC CNA e Tool ELEMENTS, USERS, RESOURCES

The CNA e Tool is a set of software tools, standard nomenclature and procedures for preparing CNAs where the basic tasks may be characterized as:

- Gathering data, or preparing a CNA;
- Submitting data, or lender certification and submission; and
- Reviewing data, or HUD staff review, approval or return to lender.

The following table summarizes these tasks, tool elements, users and associated resources.

WHO/WHAT?	PREPARING	SUBMITTING	REVIEWING
Who	Project Architect/Needs Assessor & lender Construction Analyst	Lender Underwriter	HUD Branch Chief, Underwriter and Construction Analyst
Objective/Task	Identify, specify, estimate immediate & future needs	Review CNA, recommend optimum finance plan, certify & submit	Review, approve lender recommendations, or return to lender with comments
CNA e Tool Element*	MS Excel Assessment Tool or User's Software mapped to B2G standard; Validation Engine	MS Excel Assessment Tool or User's Software mapped to B2G standard, Submission Portal	Web-based Reviewer Tool
Access Credential or User ID*	None required	MID, coordinator & submitters, viewers, via FHA Connection or WASS**	HID, assigner, reviewer, viewer, via CHAMP request
Permanent Training Resources*	Instructions for Users Training Modules at HUD Resource Desk		Internal Users' Manual
Help Desk*	REAC-TAC	REAC-TAC	HITS National Help Desk

*See CNA e Tool home page for further detail, documents, and instructions.
** "WASS" is HUD's Web Access Security System.

In this appendix, when reference is made to a specific value, variable or spreadsheet form, tab or cell location, the reference is to the MS Excel Assessment Tool.

III. WHO MUST PREPARE & SUBMIT CNAs AND FOR WHICH PROGRAMS

A. Applications for New Construction or Substantial Rehabilitation

Applications for projects to be insured under Sections 220, 221, and 231 (and any Section 241(a) supplemental loan funding new construction or substantial rehabilitation) require a CNA, but except as noted below, these CNAs are to be prepared by, or under the supervision of the borrower's project architect or the lender's construction analyst.

1. New Construction

The purposes of the CNA prepared for new construction are to provide a permanent, standardized description of the physical inventory of the proposed project and to plan for future repairs and replacements. The project architect or the lender's construction analyst will complete the CNA (exclusive of the Financial Factors) based on the construction drawings and specifications submitted and approved for Firm Commitment. (The limited changes occurring as a consequence of streamlined processing of construction documents are not significant for purposes of estimating future repairs and replacements.) Since the CNA is based on a physical inventory to be built, no CNA related on-site inspection or sampling of units is required. (The Minimum Sample entry on the "As-Is Assessment" form in the Excel Assessment Tool is "0" and the Inspection Sample form may be left blank.)

The completion of the Financial Factors tab and the development of a balanced financial structure providing for the costs of anticipated capital repairs and replacements during the estimate period is the responsibility of the lender's underwriter. This task must be completed prior to submitting a CNA to HUD for review.

When describing components, it is important that the preparer observe the standard "Estimated Useful Life" (EUL) and when appropriate enter a different value (a number of years) as the "Assessed Remaining Useful Life" (RUL). Proposed products or components with durability and/or quality yielding a useful life greater or lower than the standard EUL may be recognized in this way provided that the preparer justifies the deviation from the standard EUL in the adjacent "Remaining Useful Life Comments" box. Relying on actual, product specific, useful life data to estimate future capital costs, (in lieu of a fixed formula based on total costs applicable to all construction projects) encourages and rewards use of higher quality more durable products in the construction of insured multifamily properties.

2. Substantial Rehabilitation

The purposes of the CNA prepared for substantial rehabilitation are similar to one prepared for new construction except that in substantial rehabilitation significant portions of an existing building(s) may be retained and the scope of work for preparing a CNA must be adjusted accordingly. As with a CNA prepared for a new construction project, it is important that when describing components the preparer note the standard EUL and when appropriate enter a different number of years as the assessed RUL or when identifying an alternative to an existing component, similarly indicate the EUL for the alternative.

a. Gut Rehabilitation

For substantial rehabilitation where the contemplated construction work is classified as Level 3 Alterations, or in properties with multiple buildings, where Level 3 Alterations are contemplated in buildings that comprise 75 percent or more of the property's aggregate building area in square feet, (aka, "complete" or "gut" rehabilitation), the CNA may be prepared as if for new construction and based on drawings and specifications to be built. Any existing components to be retained may be identified and given an "Assessed Remaining Useful Life" appropriate to their age and condition.

b. Level 2 and/or Level 3 Alterations

For substantial rehabilitation where the contemplated construction activity is less than gut rehabilitation, then the CNA must describe the existing buildings, components and conditions including inspection of a requisite sample of units. If the contemplated construction activity is known to exceed the threshold definition of substantial rehabilitation then the CNA may be prepared under the supervision of the project architect, (who shall be accountable for it), and may be in support of or in lieu of the joint inspection and work write up. Otherwise the CNA should be prepared by the lender's needs assessor or construction analyst in accord with the instructions (paragraph B below) for applications for refinancing or acquisition. In the latter event, the CNA may also serve to discover whether immediate repairs exceed the threshold for substantial rehabilitation, in which event the project architect must be provided with the CNA to inform the preparation of construction documents.

B. Applications for Refinancing or Acquisition of Existing Properties, or for Section 241(a) Without New Construction/Sub Rehab.

The purposes of the CNA prepared for refinancing or acquisition transactions (or for supplemental loans funding repairs and alterations) are not only to describe the physical inventory and to plan for future repairs and replacements but also to assess current conditions and identify, specify and estimate immediate repair needs Immediate repairs must be classified as either Critical or Non-Critical.

1. Critical Repairs

   Critical repairs are of two types: life safety remedies that correct exigent health and safety deficiencies including obstacles to ingress or egress from units, buildings or the site, which deficiencies must be corrected before endorsement; and accessibility remedies for violations of one or more of the accessibility statutes as may apply to the property or to any of the buildings, which remedies must be completed as soon as possible, a time period specified as a number of months which may extend beyond endorsement but shall not exceed 1 year unless specifically permitted by HUD. See Appendix 5B for a description of accessibility requirements.

2. Non-critical Repairs

   Non-critical repairs are repairs, replacements or alterations that address current and imminent physical needs, notwithstanding whether any such needs may be described as deferred maintenance. Imminent in this context means work reasonably expected to be needed within the first year of the mortgage, except that this shall not be construed as requiring as an immediate repair any work that would normally occur at unit turnover. Non-critical repairs may include work likely to improve or enhance the quality, suitability, marketability and operating efficiency of the property. Non-critical repairs must be completed within 1 year after endorsement unless specifically permitted by HUD.

C. 10 Year Updates or CNAs Required by Asset Management Functions for Properties with Insured Mortgages

CNAs prepared to meet the periodic update requirement at intervals not greater than 10 years or to support other asset management functions are subject to guidance, and supervision by the Office of Asset Management and Portfolio Oversight (OAMPO), a division of the Office of Multifamily Housing, and are subject to Handbook 4350.1 as amended. This includes the timing and management of any critical or non-critical repairs identified. Such CNAs must be prepared by an independent third party needs assessor hired by the servicing lender consistent with the qualifications for assessors described in Chapter 5.2. The servicing lender is responsible for reviewing, certifying and submitting the CNA for review by HUD-OAMPO account executives and/or HUD MF Production Technical Branch staff.

IV. UTILITY CONSUMPTION BASELINES, BENCHMARKING & ENERGY SCORING

CNAs prepared for properties with applications for insured mortgages and 10 year updates must include a calculation of annual utility consumption for the most recent calendar year or 12 consecutive whole months (no mid-month or partial months), or in the case of properties to be built, a prospective 12 month period beginning after expected occupancy. Benchmarking is the use of such baseline data to compare utility consumption at a particular property to other similar properties by means of scoring metrics. Benchmarking allows owners, lenders and HUD to evaluate the potential for achieving operating cost savings, and reduced carbon emissions by implementing utility conservation measures. To encourage broad consistency of methods and metrics in the real estate industry and to leverage existing utility conservation tools, HUD requires that owners and lenders use EPA's ENERGY STAR® Portfolio Manager® tool to prepare baselines, and identify ENERGY STAR 1-100 scores, Energy Use Intensity (EUI) values, and other key metrics. Portfolio Manager® is a free tool provided by the US Environmental Protection Agency (EPA). See:

https://portfoliomanager.energystar.gov/pm/signup

Portfolio Manager® is designed to serve owners as an ongoing (annual or periodic) utility consumption measurement allowing owners to pinpoint properties or buildings meriting attention to conservation measures. Except for specific assistance programs, HUD does not require that borrowers maintain annual or periodic updates in Portfolio Manager®. But this practice is strongly recommended in order to realize the full cost savings of actively managing utility consumption. In any event, 10 year update CNAs do require a utility consumption baseline which requirement in time does enable a comparison of utility consumption at intervals not greater than 10 years.

A. Utility Consumption Baselines in New Construction and Substantial Rehabilitation Projects, Sections 220, 221, 231 and 241(a) of the Act

1. New Construction and Gut Rehabilitation

The project architect must open an account for the project within the Portfolio Manager® web application and enter a record for the property, or each building in the property consistent with EPA's instructions for benchmarking a property in Portfolio Manager®. Benchmarking must be based on the proposed drawings and specifications. Portfolio Manager® can produce a variety of standard reports based on completed utility consumption profiles. For properties in the design and construction phase a standard report is the Statement of Energy Design Intent (SEDI). For new construction and gut rehabilitation, the lender must attach a SEDI for the property to the CNA when submitted. Standard reports (.pdf) from Portfolio Manager® are not machine readable. To assure that the SEDI is machine readable by the CNA e Tool, HUD has created a custom SEDI report template (an excel or .xls file). The custom report template is named the HUD Custom SEDI. After completing data entry in Portfolio Manager®, the user (mortgagor, architect, needs assessor, lender construction analyst, consultant) must select and

download the HUD Custom SEDI report and provide it to the lender. The lender must upload the machine readable report with the CNA at submission.

2. Substantial Rehab Less Than Gut Rehabilitation, Level 2 and/or Level 3 Alterations

   As with gut rehabilitation, the mortgagor must benchmark the property using EPA Portfolio Manager®. However, when rehabilitation is less than gut rehabilitation a Statement of Energy Performance (SEP) shall be obtained using the HUD Custom SEP report (an MS Excel file) which is machine readable. This report must be provided to the lender who must attach it to the CNA at submission. An SEP is for existing properties with a past history of operations comparable to and useful for projecting future operating costs. If substantial rehabilitation less than gut rehab is proposed at a property that has not been operational in the preceding 12 months, then a SEDI may be prepared instead of the SEP.

B. Utility Consumption Baselines in Refinancing and Acquisition, Sections 223(a)(7), 223(f) and 241(a) of the Act, Without New Construction/Sub Rehab.

   CNAs prepared in support of applications for refinancing or acquisition (or 241(a) supplemental loans for repairs/alterations) must provide a utility consumption baseline and ENERGY STAR® score from Portfolio Manager® by using the HUD custom (machine readable) SEP report template. The resulting report (.xls) must be attached to the CNA by the lender when submitting the CNA.

C. Verification of Baseline Utility Consumption Data

   Portfolio Manager® is a reporting tool. It relies on users to enter valid data. Accordingly, utility consumption data entered in Portfolio Manager® and reported on HUD Custom reports must be verified by a qualified energy professional as defined in MAP Guide Chapter 5.2. Verification must be evidenced by the signature of the energy professional on a utility analysis report that meets or exceeds the following standards of work described in the Building Performance Institute's (BPI) Technical Standards for the Multifamily Building Analyst Professional:
   Standard items: 1.2, 1.7, 2.1, 2.2, 2.5 and 2.6.
   The referenced standard is available at:

   http://www.bpi.org/tools_downloads.aspx?selectedTypeID=1&selectedID=6
   The parent url is:

   http://www.bpi.org/standards_approved.aspx

The utility analysis bearing the signature of the energy professional, together with the appropriate HUD Custom SEP or SEDI must be attached to the CNA by the lender when it is submitted.

D. Modification of EPA Reports

Modification of EPA Portfolio Manager® reports (HUD Custom SEDI or SEP) is prohibited and will result in submission failure when the lender attaches a modified SEDI or SEP report (.xls) to the CNA at submission. If the user recognizes an error in a particular EPA report, the error must be corrected by changing data inputs in Portfolio Manager® and then generating and downloading a new (corrected) HUD Custom SEDI or SEP report. If the user wishes to modify a report for purposes of presentation to or readability by others, then such modifications should be saved as a new file name and only the unmodified SEP or SEDI attached at submission.

E. Minimum ENERGY STAR® Scores Required

Existing properties with low ENERGY STAR® scores indicate inefficient utility use by comparison with other similar properties. Existing properties with an SEP score less than thresholds defined below must evaluate and identify conservation measures by completing an ASHRAE Level II energy audit prepared by a qualified energy professional. Substantial rehabilitation (less than gut rehabilitation) proposals must similarly identify and evaluate conservation measures by means of an AHRAE Level II energy audit and must also implement those conservation measures determined to be cost beneficial. A property to be built or a gut rehabilitation must obtain an SEDI score of 60 or better, indicating that expected utility use efficiency will be in the upper 40 percent of multifamily properties of the same kind.

Program/Section of Act	Construction Work Classification	Minimum Score Threshold
220, 221,231,241(a)	New Construction & Gut Rehab	ENERGY STAR® score on SEDI must be 60 or higher (exceptions for gut rehab of historic buildings)
	Substantial Rehabilitation < Gut Rehab	If ENERGY STAR® score on SEP <60, ASHRAE Level II energy audit is required and work must include cost beneficial conservation measures
223, 241(a)	Repairs, Replacements, Alterations, or No Repairs	If ENERGY STAR® score SEP <60, ASHRAE Level II energy audit is required and CNA must identify and evaluate conservation measures, but implementation is not required.

F. Exceptions to Energy Score Threshold.
While all applications must provide the HUD Custom SEP or SEDI and the accompanying utility analysis report, some properties are exempt from meeting the minimum score threshold.

1. The minimum score threshold for gut rehabilitation may be waived for properties designated as historic, or located within and subject to design requirements of a designated historic district where elements of the building contributing to a low score cannot be removed, or replaced (e.g. windows), or adequate conservation measures cannot be implemented consistent with historic preservation.
2. Portfolio Manager does not calculate scores for properties (or for separate sites) with fewer than 20 units, and so scoring thresholds do not apply to such properties.
3. Properties which have already earned recognized energy conservation or green certification status are exempt from the Energy Score threshold. Acceptable certifications are ENERGY STAR®, LEED (silver, gold or platinum), and Earthcraft for Multifamily.

G. Properties that are exempt from the minimum energy score threshold or which exceed the threshold are not required to undertake further energy analysis or to identify or implement conservation measures.

H. Minimum ENERGY STAR® Scores and the IECC and ASHRAE Standard 90.1 for New Construction

Achieving (or failing to achieve) a minimum ENERGY STAR® score is not the same as complying (or not complying) with the International Energy Conservation Code or the American Society of Heating, Refrigerating and Air-conditioning Engineers (ASHRAE) Standard 90.1. An EPA Portfolio Manager® ENERGY STAR® score compares utility consumption of one evaluated property to other comparable properties. The energy code standards are design codes establishing a prescriptive minimum for various components and assemblies of buildings, or in the alternative, a performance measure which is estimated utility cost shown to be less than or equal to the estimated utility costs for the same unit or building constructed to the prescribed standard reference design. While it is expected that buildings designed and constructed consistent with the IECC or the ASHRAE Standard 90.1 likely will achieve an SEDI of 60 or better, currently there is no data that establishes a correlation between IECC/ASHRAE 90.1 compliance and ENERGY STAR® scores. No achieved ENERGY STAR® score is a substitute for compliance with the IECC or ASHRAE Standard 90.1 as required by Appendix 5D and compliance with these design codes is not a substitute for any minimum ENERGY STAR® score.

I. Incentives for Utility Conservation

1. Properties with Recognized Certifications.
Properties that have already achieved ENERGY STAR® certification (requiring a score on the SEP of 75 or more), or Designed to Earn the ENERGY STAR® recognition (a score of 75 or more on the SEDI), or LEED or Earthcraft for Multifamily may in some cases use reduced utility cost estimates in their operating expense forecasting. Note that the respective SEP and SEDI reports, alone, are not sufficient for, nor identical with ENERGY STAR® (or any other) certification. EPA (or other certifying or commissioning entity) must review and approve an application for certification. For existing certified properties actual utility costs should be underwritten. For properties proposed for Designed to Earn ENERGY STAR® or other recognized certification, the forecasted utility consumption for each fuel or utility reported in the SEDI (expressed in the applicable unit of measure multiplied by the relevant local utility cost rates) should be used to estimate utility costs.

2. Underwriting of Forecasted Utility Cost Savings for Properties Not Certified
Section 223(a)(7) or 223(f)) applications for properties that are not ENERGY STAR® or otherwise certified can reduce actual owner paid utility costs reported in operating

statements by a sum equal to 75 percent of forecasted owner paid utility cost savings resulting from proposed conservation measures when such measures are documented by an ASHRAE Level II energy audit, identified in the CNA, and included in immediate repairs.

Substantial rehabilitation applications with alterations less than gut rehabilitation where an SEP is prepared may claim an adjustment of utility costs as described for Section 223 applications.

V. GUIDANCE FOR KEY VALUES ON CNA e Tool FORMS

For detailed, cell by cell, instructions for general use of the MS Excel Assessment Tool (spreadsheet) see the "Instructions for Use of the CNA Assessment Tool" at the CNA e Tool home page. This Appendix 5G only addresses specific values or responses that are entered by CNA preparers or lenders based on HUD policy requirements defined here.

A. Property Information

1, Approving Agency - HUD is the approving agency for all CNAs prepared for properties with insured mortgages.

2. REMS, FHA numbers - For existing insured properties enter the REMS and FHA numbers. For properties not now insured, enter the FHA number when known. Lenders should assure that this number is entered prior to submission.

3. Seismic SX_S, SX_1 values - These values are required for all existing properties and should be obtained and entered in accordance with the instructions in Appendix 5D and/or the "Instructions for Use of the CNA Assessment Tool." For new construction, enter zero (0) for each value.

4. Federally Assisted - The needs assessor must answer this question "yes" or "no" and must know the correct answer for the subject property prior to conducting any on-site inspection. It is the responsibility of the lender to know the correct definition of "assisted housing" (See Appendix 5B) and to apply the definition to the subject property and advise the needs assessor accordingly. Failure to correctly identify a federally assisted property and to document compliance with Section 504 of the Rehabilitation Act of 1973 is unacceptable.

B. CNA Scope

1. Vacant Units- The actual number of vacant units at the time of the on-site visit should be entered. This means all units present at the property, and not occupied by a tenant or resident manager, or management employee or in use by management as an office or display unit. Units used for storage or "offline" units are "vacant units". For new construction or gut rehabilitation projects enter zero (0).

2. Minimum Sample - Except for new construction and gut rehabilitation, the needs assessor must enter the minimum percentage of all units that must be inspected. (For current applications for new construction and gut rehabilitation, enter zero [0].) HUD requires the following:
   a. For properties with all structures built or gut rehabilitated within 10 years of the CNA, not less than 10 percent of units must be inspected.
   b. For all other properties, not less than 25 percent of units must be inspected.
   c. In all cases the selection of units must be proportionally distributed among unit types, buildings, and floor levels and otherwise random.
   d. Minimum percentage inspection requirements do not relieve the needs assessor and lender from addressing circumstances where more units should be inspected, such as:
      i. A property with a history of vacancy exceeding 15 percent in which event not less than 50 percent of vacant units not already selected for inspection per paragraph 2, a through c, above should be inspected.
      ii. A property with particular units, floors of buildings, or buildings vacant for 6 or more of the previous 12 months. Such vacancy may be due to adverse physical conditions or to remodeling, either circumstance requires inspection of the relevant units, floors or buildings

   It is the lender's responsibility to examine rent rolls, operating statements, and due diligence reports to determine whether excessive or disproportionate patterns of vacancy require that the needs assessor inspect a greater sample of units and to advise the needs assessor accordingly.

3. ASHRAE Energy Audit -.Indicate "yes" or "no" whether an ASHRAE Level II Energy Audit has been completed and used to inform the utility usage characteristics of components and alternatives.. If "yes" identify the name and relevant professional credential of the energy auditor. (For required credentials see MAP Guide Chapter 5.2). The lender must attach the energy auditor's report to the CNA at submission.

4. Additional Tests - Indicate "yes" or "no" whether the CNA relied upon or required any additional testing or special inquiry. Name or identify the test, inquiry or resulting report in the comment section. Examples of an additional test in this context include a seismic analysis, a radon test and report, an intrusive examination by a professional or contractor other than the needs assessor, a lead-based paint inspection or risk assessment report, a mold assessment report, or similar tests or reports. The lender must attach such results or reports to the CNA at submission

5. Date of Site Visit - This is the date the needs assessor intends as the time when observations of physical conditions are represented as true and correct. This date is the commencement

of any maximum shelf life for a CNA report. For new construction or substantial rehabilitation proposals where the CNA is prepared by the project architect or the lender's construction analyst, this date is the day when the CNA was completed.

C. Buildings-Year Built

The year built must be reported for each building. Generally exact dates are not required and year built may be determined based on readily available, credible evidence. But in some cases exact dates are critical because of the effective dates of statutory or regulatory requirements. Among such requirements are those for design and construction of multifamily buildings in the Fair Housing Act (42 USC 3604(f)(3)(C), and 24 CFR 100.205). The design and construction requirements apply to any building first occupied after March 13, 1991, unless a building permit for that building was issued on or before June 15, 1990. Since these requirements apply to buildings and not properties, and properties often have multiple buildings with different building permit and or occupancy permit dates, the Assessment Tool obligates the needs assessor to identify a specific year built for each building. If the year built is outside the range of years 1990, 1991, and 1992 no specific dates for occupancy or building permits are required as entries on the Buildings Form. But if the year built is 1990, 1991, or 1992 then the needs assessor must confirm, and enter the actual date of first occupancy, usually with an occupancy permit, as well as the date of the building permit. The Assessment Tool uses this data together with other user responses to identify covered units among those inspected and requires the needs assessor to determine (yes or no) whether the covered units inspected conform to the design and construction requirements. (Note that these are not the only requirements for which specific dates are consequential. For example, lead based paint testing is required for buildings constructed before January 1, 1978. But accessibility requirements are the only rule based and date related elements built into the logic of the CNA e Tool).

D. Buildings- Building/Construction Types & Replacement Cost

The "Buildings" form requires the needs assessor (or project architect or lender construction analyst) to identify specific characteristics of each building. These include the same characteristics and definitions of characteristics that are used on HUD Forms 92013 and 92264. An additional requirement is that the user provide an estimate of replacement cost for each building. Replacement cost is expressed as a number of dollars per square foot of building area including all units and common areas. The Assessment Tool will auto-calculate building areas and apply the replacement cost per square foot estimate in order to determine estimated replacement cost for each building. The user is required to justify or support the estimated replacement cost in the comment box labeled "Source of Replacement Cost Data." The replacement cost estimate for existing buildings should be based on the current cost of replacing the building with current construction practices and assemblies as nearly comparable to the

existing building as possible, but not including any cost of replicating obsolete methods or materials or historic artifacts. For new construction applications, the lender's construction analyst should use the estimated per square foot cost of construction excluding site improvements. The CNA e Tool will use this input to generate results for the HUD form 92329, Schedule of Insurable Values.

E. Components with EUL or RUL Longer than the Estimate Period

Many components of buildings are quite durable and, based on the date installed, may be expected to remain in place without repair or replacement well past the end of the Estimate Period. This does not mean that these components should not be observed and reported by the needs assessor or described as components by the project architect or lender construction analyst. It is important to know that the CNA preparer considered all major components of a building, identified the component as well as an alternative, even if the alternative is simply a replacement of like kind in the distant future. So for example, a typical wood frame walk-up building might be characterized as having "Wood frame walls and floors," a component type with a long EUL. The preparer should identify this component even though there is no expectation of replacement during the Estimate Period. The CNA e Tool will only schedule costs of repair or replacement of components when the time for such repair or replacement falls within the Estimate Period. This method of characterizing all major components in a building is intended to assure assessment of all capital elements of a building, to eliminate lengthy narrative descriptions of these same building components and to support downloading of relevant data for future update CNAs.

F. Components-Assessed Remaining Useful Life (RUL)

For each component, the user may specify the assessed RUL. If no assessed RUL is specified then the default value is the RUL based on the standard Estimated Useful Life (EUL) less the age of the component. If an assessed RUL is specified then it must also be justified in the "Remaining Useful Life Comments" box. This method allows the preparer to recognize superior or inferior performance, local conditions of use (e.g. climate, exposure, student occupancy, etc), maintenance or product quality of the component. Similarly when specifying alternatives, the preparer may enter an EUL for the alternative recognizing product quality, durability and/or conditions of use.

G. Adding Components that Do Not Currently Exist at a Property

Often a user determines that a component not present at the property must be added (e.g. smoke detectors, accessibility items) or that proposed remodeling or upgrades will add components not present (e.g. appliances added to kitchens). The design of the Excel Assessment Tool requires that all components be identified, and that an alternative for each component (or groupings of the same component, e.g. by age or location) also be identified and recommended. Accordingly, to add a

component not present, the needs assessor must identify the component on the "Components" form and assign an assessed RUL of "0" indicating that the recommended alternative must be among immediate repairs. (See also Paragraph I below, "When, Duration and Action".)

H. Repair Replace Recommendation- Typical Operating Expense Items as Immediate Repairs

Needs assessors should identify all repairs or replacements that are immediate repairs even when these might normally be treated as operating expense. For example, the needs assessor may observe conditions that require a mere repair to restore a component to normal use, (e.g. a broken window pane, or a tree that requires trimming, or a wiring repair, drywall damage or a broken lock in particular units). When identifying the repair replace recommendation the needs assessor should identify "When?" as "now" and the "Action" as "one-time repair." The "one-time repair" action restores the component to the EUL/RUL that would otherwise prevail. The repair will appear only once and only among immediate repairs. The component type name and the alternative replacement for that component should already have been identified and a separate recommendation can be made to replace the component (e.g., windows, landscaping, wiring, wall finish, or doors) in the future.

I. Repair Replace Recommendation-"When, Duration and Action"

Users must determine "When" an action will occur for each component and selected alternative. The answer to the question "When?" may be "now" or at "end of cycle" where end of cycle is the end of the assessed RUL of the component (or the default RUL if no assessed RUL is entered). An "action" is a repair, replacement, one time repair, or add new. "Add new" should only be selected for a component where the assessed RUL has been entered as "0" for the purpose of describing a component type not present but proposed to be added to the property. When adding components not present the "when" response should be "end of cycle" which, permits a component (e.g. a dishwasher) to be added as an immediate repair and then located among future repairs and replacements as appropriate on the Estimate Period schedule. Duration is a whole number entry, usually 1 or 2, which establishes a spread of years before and after the "end of cycle" of particular components (e.g. a duration entry of 1 spreads the cost of a repair/replace action over three years; 1 year before end of cycle; the indicated end of cycle year; and 1 year after end of cycle). Duration is intended to recognize that RUL and EUL periods are estimates of average durability and that actual results will vary.

J. Repair Replace Recommendation- elements of Corrective Action Plan for Accessibility Deficiencies. Corrective actions plans are required to address accessibility deficiencies and may be prepared in the Assessment Tool by using the Repair Replace Recommendation form as follows:

1. Accessibility Indicator - if a repair, replacement or alteration is recommended in order to correct an identified accessibility deficiency, then this indicator should be answered "yes," in which event the following items must be completed. If the accessibility indicator is "no," then the Accessibility Statute and Scope of Accessibility Compliance items may be left blank.
2. Time to Complete - If accessibility indicator is "yes" then the time to complete must be entered as a number of months which should be specific to the particular recommendation and not to all accessibility remedies in general. Each remedy is to be implemented or completed as soon as possible, notwithstanding any different schedule as may be necessary for other remedies.
3. Accessibility Statute - If the accessibility indicator is "yes" then the needs assessor must indicate which statute defines the deficiency, or if the recommendation addresses a deficiency under multiple statutes, identify the statute with the most stringent requirement.
4. Scope of Accessibility Compliance - If the accessibility indicator is "yes" then the needs assessor must provide a short text description of how the recommendation corrects the deficiency or contributes to the correction, which description should include any relevant dimensions or physical measurements. The comments section may also be used. Sketches or drawings with appropriate photographs may be provided by the needs assessor and attached to the CNA by the lender at submission.

The list of Critical Repairs-Accessibility produced by the Validation Engine or the Submission Portal together with any relevant attachments is the Corrective Action Plan.

K. Repair Replace Recommendation – Time To Complete Aa a Scheduling Method

For substantial rehabilitation applications (less than gut rehabilitation) and for refinancing applications where immediate repairs include categories of work or total cost of work that trigger employment of a project architect, a construction schedule is required as one of the construction documents in the application. For these applications the planned sequence and timing of immediate repairs should be described in the CNA e Tool by using the "Time to Complete" entry, which should be a number of months. (Immediate repairs and alterations are those for which the answer to the question "when?" equals "now.") The entered number of months to complete each task is reported on the List of Non-Critical Repairs (as well as the list of accessibility repairs). When the user exports this list it downloads as an MS Excel file which may then be sorted by "Time to Complete" resulting in a list of repairs grouped by the number of months required to

complete. Printing this list of repairs sorted by time to complete provides a document meeting the requirements for a construction schedule for these applications.

L. Needs Assessor's Narrative and Attachments Provided to the Lender

The Assessment Tool provides a Narrative Form allowing the user to provide narrative for each of the outline topics as listed in ASTM E 2018-08. As an Excel spreadsheet file the Assessment Tool is not an optimum instrument for narrative presentation and each narrative topic is limited to 2000 characters. It is recommended that narratives requiring use of photos or similar illustrative materials be prepared as attachments and provided to the lender for submission. Nonetheless brevity is encouraged and when the executive summary, limiting conditions, assessor qualifications or other text items can be addressed in 2000 characters or less the Narrative Form should be used. But other descriptive materials, photography or exhibits should be provided to the lender and the lender may submit these as attachments to the CNA when submitted. See instructions to lenders concerning attachments in this appendix at VII. D. 2.

VI. USE OF THE VALIDATION ENGINE

The validation engine is an editing tool and a means of assuring data integrity. Users will note that unlike many spreadsheet versions of capital needs assessments, the Assessment Tool does not include tabs displaying tables or schedules of results. While auto-calculated, running totals of buildings, units and spaces counted are provided to aid the user while preparing the CNA, the spreadsheet contains no list of immediate repairs, no 20 year schedule. Instead these results are obtained from the Validation Engine which is a fully automated, rule based editing tool that auto-calculates results including lists of immediate repairs and Estimate Period schedules. The validation engine assures all users that calculation formulas are always the same and eliminates copy errors and similar quality control problems that often occur when users modify templates. The validation engine also permits HUD to release the Assessment Tool freely to the public without concern for user modification or corruption of the Assessment Tool. As an editing tool, the Validation Engine provides a standard set of results which includes a list of all "flags." Flags identify a discrepancy or departure from or violation of a rule or standard. Flags are identified by level of severity and may be: "I" informational; "W" warning; or "S" severe. No CNA with a severe flag can be submitted, (i.e. the submission portal will not allow submission of any CNA with a severe flag). The web address (url) for the Validation Engine is:

URL to be announced

Anyone can use the Validation Engine. Needs assessors should use the Validation Engine early and often to identify needed edits of CNAs, eliminate severe flags and address other flags and to assure that schedules of immediate and future repairs reflect intended results. CNAs need not be complete in order to validate (e.g. assessors can validate property inventory data and proposed inspection sample

of units in advance of a site visit.) Lists and schedules produced by the validation engine may be exported as Excel files, shared with others for editing or used as part of a CNA prepared for an agency or lender other than HUD or USDA.

Validation (using the same ruled based engine) is also a task required of lenders who access the validation engine through the lender submission portal. Lenders will use validation in order to obtain results of various combinations of financial factors when preparing a financial plan for funding capital needs and also as a means to test results of potential changes to the needs assessor's recommended repairs and replacements.

(Note that while validation engine reports are used for editing, actual changes to correct or alter results shown in reports can only be entered in the original CNA, i.e., the Assessment Tool spreadsheet prepared for the property. The Assessment file cannot be edited or changed in the Validation Engine or in the lender Submission Portal web sites.)

VII. LENDER REVIEW OF CAPITAL NEEDS ASSESSMENTS

A. Capital Costs vs. Operating Expense

A key principal of both financial accounting and planning for future capital costs is a clear, and consistently applied, distinction between items that are operating expense, and those which are capital costs. While most work on building or site components is clearly one or the other, many work items may be classified as either expense or capital depending on the borrower's policy. This policy should be in writing and remain constant until amended in writing. Thus for example, replacement of roofs, windows, siding and similar items on a building is always a capital cost and should be included in planning for future capital needs. Meanwhile cleaning windows, changing air filters, cleaning or repairing carpets and similar tasks are always operating and maintenance costs. By contrast, repainting, recarpeting and similar redecorating of unit interiors at turnover or at standard time intervals may be treated as either operating expense or capitalized at the borrower's discretion. The lender must obtain and provide to the needs assessor the borrower's written chart of accounts or the portions thereof which define the borrower's distinction between repair and replacement costs which are capital as opposed to operating expense. The lender must determine that the Borrower's policy is consistent with HUD's Asset Management Handbook 4350.1, Chapter 4, Section 4-3 and that all repair or replacement of components defined as capital costs are included in the CNA by identifying them as components and recommending an alternative. The lender must attach to the CNA at submission the borrower's written policy defining capital costs. The lender must assure that any items (e.g., carpet, interior painting) not identified as components (i.e. not listed among components on the components tab) are accounted for in operating expenses, (i.e. if carpets exist and are not listed among components, then carpet repair and replacement must be budgeted as an operating expense.)

B. Lender's General Review and Underwriting Duty
Prior to submission of a CNA, it is the duty of the lender to review, address, or correct each of the following:

1. Complete CNA

   Assure that the needs assessor (or project architect or lender construction analyst) has completed the Assessment Tool in accordance with the MAP Guide and the "Instructions for Use of the CNA Assessment Tool."

2. Repair/Replace Recommendations and Decisions

   Review and accept the CNA preparer's Repair Replace Recommendation or if the recommendation requires modification or is not acceptable, specify a different or modified decision on the Repair Replace Decision form.

3. Immediate Repairs

   Assure that any immediate repair is described specifically with a quantity, cost, and location as well as any applicable and necessary qualitative or product specific information such as size, model, product performance standard, level or nature of finish, and/or brand name if applicable. When useful to understanding and comprehension, annotated photography may be attached to the CNA at submission to pinpoint the nature, extent or location of a repair/replacement action.

4. Corrective Action Plans

   Review the Corrective Action Plan for any accessibility deficiencies and assure that statutes and regulations are correctly applied, deficiencies identified, appropriate remedies specified, and that implementation of each remedy is scheduled for completion as soon as possible.

5. Utility Conservation Metrics

   Review and evaluate the EPA Portfolio Manager® forms (HUD Custom SEDI or SEP). When an energy audit is prepared for an existing property or a model of projected use is prepared for a new construction or gut rehabilitation project, assure that the preparer is properly qualified. Confirm and document any claim of ENERGY STAR®, LEED or Earthcraft for Multifamily certification by obtaining the certification and attaching it to the CNA. Assess the accuracy of the needs assessor's or energy professional's report of utilities used at the property and rates charged for these utilities as reported on the Utility Rates and Usage form. In accordance with

the guidance in Section IV of this appendix calculate and incorporate in underwriting the expected cost of owner paid utilities, including in the case of existing properties with an ASHRAE Level II energy audit, 75 percent of documented utility cost savings. (Projected utility cost savings per year are reported for each immediate repair as part of the list of critical and non-critical repairs reported with each validation or submission of a CNA.)

6. Financial Factors

   Estimate financial factors and variables and prepare a balanced financial plan for funding anticipated capital costs. "Balanced" in this context means that the combination of any existing Reserve for Replacement escrowed sums carried forward plus any initial and annual deposits plus periodic interest earned on balances equals, or exceeds the projected capital costs plus any minimum balance requirement for each of the first 10 years in the Estimate Period, and in the second ten years, any negative balance does not exceed (in dollar amount) the cumulative amortization of the insured loan balance for the year in which the negative balance occurs. (See "Lender's Financial Plan" paragraph C below.)

7. Lender Validation and Submission

   The lender validates and submits CNAs by accessing the CNA e Tool submission portal through FHA Connection at

   https://entp.hud.gov/clas/index.cfm

   or via WASS at the following web address:

   https://hudapps.hud.gov/HUD_Systems

   The submission portal is a secured web address that may be accessed only by authorized submitters using appropriate credentials and passwords. For applications for mortgage insurance a submitter should only submit a CNA at the time that a full application for mortgage insurance has been filed and requisite fees paid.

8. Flags, Addressing Flags

   Needs assessors may deliver CNAs to lenders even when the Validation Engine indicates remaining flags. Typically, the needs assessor will have already corrected any flags that do not engage underwriting judgment. Good practice will lead the lender immediately to validate the CNA and focus on resolution of any remaining flags. But in all cases the lender must validate the CNA immediately prior to submission. Flags that remain (other than severe flags that must be corrected) may not require a change in the CNA if the lender provides an appropriate

explanation of why the matter flagged is not a circumstance or result inconsistent with the MAP Guide or sound underwriting. Such explanations are entered as the "lender response" under flag notes, a text box, that appears with each flag listed in the validation results. If after submission HUD disagrees with the CNA as submitted, the objection will be expressed in a flag note. The CNA will be returned to the lender, and the submitter will be notified by an automatic e-mail that the submitted CNA has been returned by HUD. The lender may then address the flag note and/or modify the CNA and submit the revised CNA. (See Section VIII.B of this Appendix regarding HUD review.)

9. Version Control for CNAs

   a. From application to Firm Commitment.

      The use of flags and flag notes enables HUD and lenders to exchange comments and resolve issues using successive versions of the same CNA file. Version control is achieved by a system generated unique identifying number (the "Assessment ID") assigned to each CNA submission and composed of the calendar year and a six digit number (yyyy-######). From the system perspective, each CNA submission is a different CNA. At any point in time only one CNA for a particular property (FHA # and/or REMS #) may have the status of "submitted" or "under review." An unlimited number of versions may have the status of "returned," but only one version will advance from the "under review" status to "Approved." The approved CNA is the version that will be used at Firm Commitment to produce list of required repairs, relevant construction documents/schedules, amounts required for repair escrows and assurances of completion and required initial and annual deposits to the Reserve for Replacement escrow.

   b. Amendments after Firm Commitment

      Sometimes unforeseen circumstances or uncorrected errors require amendment of a firm commitment. If required changes concern aspects of the CNA (e.g. the list of immediate repairs, the amount of the initial or annual deposit to the reserve for replacements, etc.), HUD may authorize an amended CNA, in which event HUD will locate the approved CNA in the Reviewer Tool and select "Undo Approval." Selecting "Undo Approval" changes the status of an approved CNA to "returned." The submitter will receive an e-mail message indicating the changed status. The submitter must then return to the Assessment file make such changes in Financial Factors or in Repair Replace Decision or other applicable forms to address and define the needed amendment. Then the revised Assessment file is resubmitted, assigned, reviewed and approved in the same fashion as a CNA submitted prior to Firm Commitment. When again "approved" the resulting version is the "Amended" CNA current as of the date of its amendment. It is the intent of the CNA

e Tool to capture for permanent record the CNA approved for firm commitment and any amended CNA so as to reflect the actual requirements for Endorsement.

10. Intrusive Examination

The lender must assure that the needs assessor has used a level of inquiry appropriate to the age, and condition of the property in order to report with confidence the nature of existing components, their condition, and their assessed RUL even when the level of inquiry required by observed circumstances exceeds the minimum "non-intrusive" standard of inspection defined by ASTM 2018-08. If such intrusive examination is conducted by a third party other than the needs assessor, the needs assessor must provide and the lender must submit any resulting reports or observations as an attachment to the CNA.

C. Lender's Financial Plan- the Financial Factors Form

The lender's financial plan is developed by using the Financial Factors Form of the Assessment Tool. The first entry on this form identifies the Estimate Period as a number of years. The financial factors enable an auto-calculation of the financial plan for each year in the Estimate Period. Years are identified as relative years (RY) beginning with 1 and ending with the number of years in the Estimate Period. Calendar years are associated with relative years by commencing relative years and calendar years based on the date of submission of the CNA. Other entries define two sets of parameters; external variables; and property specific variables.

1. Estimate Period

The estimate period for all HUD mortgage insurance programs is the lesser of 20 years or 2 years plus the remaining term of any insured mortgage.

2. External Variables

External variables are economic variables in the financial plan that cannot be controlled, must reflect actual economic conditions, and must not be used to bring a financial plan into balance. These are the annual rate of inflation of the costs of repairs and replacements during the Estimate Period, and annual interest earnings on the balances held in reserve for replacement escrow accounts. Because current economic conditions sometimes depart from historical norms or averages, the financial factors form enables the lender to identify a current rate of inflation for capital needs and a current interest rate on short term deposits or certificates of deposit. These are called the "initial" rates and should reflect current business conditions and indices. The lender may also specify the last relative year (rarely more than 3) in which such current or initial rates are reasonably expected to prevail. The lender may identify a second, or

"additional," rate that reflects long term averages for the particular rate (inflation or short term interest). In this context "long term" should be a period not less than the appraiser's estimated remaining economic life (REL) of the property (not to be confused with EUL or RUL of components). Accordingly, estimates of long term rates of inflation would be obtained from the average annual change in the Department of Labor's consumer price index for the last 40 or more years, while short term interest rates would be estimated using the average of rates for 90 day maturities over the last 40 or more years as published by the Federal Reserve Board, the Wall Street Journal or comparable entities. If the lender observes no meaningful difference between a current rate and historical averages for that rate, then the current or initial rate may be entered, and no entries made for an additional rate or for a relative year in which an additional rate would be applied. The intent of this method of describing rates is to encourage more realistic modeling of economic projections. Note that any characterization of inflation used in the Financial Factors Form should also be reflected in the lender's projections of operating expense. The lender should use the "Reserve Comments" box on the Financial Factors Form to identify its sources and support its indicated values for inflation and short term interest rates.

3. Property Specific Variables

Property specific variables are values that are unique to the property. Except for the required minimum balance calculation, it is expected that lenders will make repeated adjustments to these variables based on Validation Engine results as a means of perfecting an optimum combination of factors needed to balance the financing plan consistent with other underwriting considerations such as anticipated rents and operating expenses.

a. Initial Deposit. The initial deposit is the amount that may be carried forward from an existing reserve for replacement escrow (e.g. in a 10 year update CNA or refinancing of an existing insured asset) and/or the amount of any lump sum deposit that may be required at endorsement.

b. Year 1 Annual Deposit Per Unit. Is the sum estimated as the first annual contribution to the reserve for replacement escrow divided by the number of units in the property. Expressing this figure as an annual per unit number of dollars supports the common industry practice of estimating operating expenses on a per unit per annum (pupa) basis. In no event should this figure be less than $250 for any property.

c. Per Annum Rate of Change in the Annual Deposit. Historically, HUD has required or encouraged annual deposits in amounts fixed for long periods or even for the term of a mortgage. While very safe and consistent with HUD's long term fixed rate mortgage programs, fixed annual deposits do not support realistic assessments of physical conditions

nor realistic financial planning to address these conditions over time. Accordingly, graduated changes in annual deposits are permitted and should be expressed as annual percentage rates of change. Similar to the external variables for inflation and short term interest, the lender may propose an initial rate of change followed by an additional rate of change to be applied in a specified relative year, which need not be the same relative year as indicated for either of the external variables. If proposing a rate of change for the annual deposit, the lender must demonstrate by means of a stress test that the expected rents and expenses (including the annual deposit) do not reduce the debt service coverage ratio below underwriting requirements. In no event may the proposed rate of change equal or exceed the rate of inflation applied to capital needs in any relative year of the Estimate Period.

d. Minimum Balance. When balancing the financial plan the lender must maintain an estimated minimum balance. The CNA e Tool provides two methods for estimating the minimum balance only one is used for HUD purposes. The two methods are a minimum balance as a number of dollars per unit or a minimum balance expressed as a percentage of total uninflated needs for the Estimate Period. In the latter case, the CNA e Tool auto-calculates the percentage as the inverse of the number of years in the Estimate Period (e.g., estimate period equals "20" then minimum balance equals "1/20" or 5%). It is important that all users understand that the minimum balance is established only as means of planning for an adequate reserve. It is not intended as a limit on disbursements as and when repair and replacement needs actually occur. The intent of the minimum balance is to provide a contingency for unanticipated costs and to trigger an asset management review when actual needs result in a remaining balance that falls below the planned minimum.

When applying the minimum balance the lender should follow the following procedure:

(1) The lender first structures the reserve for replacement schedule of initial and annual deposits based on a 10 year Estimate Period such that the 10 year schedule is balanced.
(2) The lender then recalculates the reserve for replacement schedule using the same values for initial and annual deposits but changing the Estimate Period to 20 years.
(3) The lender then observes whether any of the years 11 through 20 result in a negative balance and apples a test of whether such negative balance is a risk that must be mitigated. Mitigation is achieved by increasing the funding proposed for the reserve for replacement escrow. The test is the amount of the cumulative amortization of the proposed insured mortgage for the relative year in which the negative balance occurs. If the dollar amount of the negative balance exceeds 50% of the cumulative amortization of the mortgage, then the negative balance is excessive and must be mitigated.
(4) The lender submits a CNA based on a 20 year estimate period using the proposed funding (initial and annual deposits) determined in steps "2" and "3" above. The result

is that negative balances, if any, may not exceed half the accumulated amortization of the mortgage loan balance.

(5) The lender should prepare and attach to the CNA at submission a spreadsheet comparing the results of the reserve for replacement schedule and the amount of amortization on the insured mortgage indicating the scale of any negative balance as a percentage of the cumulative amortization for each year, 11 through 20.

When considering applications for mortgage insurance the minimum balance is not required in the first 2 years of the Estimate Period.

D. Lender Submission of CNAs- the Submission Portal

1. Final Validation
   After completing its review and financial planning tasks, the lender must validate the CNA a final time as a requisite to submission, recognizing that any severe flags appearing on the final validation will prohibit submission.

2. Attachments
   After correcting remaining severe flags and/or addressing any other flags, the lender should attach documents which are either required or useful to communicate or document CNA information. Required attachments include:

   a. EPA Portfolio Manager® reports the HUD Custom Statement of Energy Design Intent (SEDI) for new construction or gut rehabilitation projects; or the HUD Custom Statement of Energy Performance (SEP) for all other projects.

   b. The borrower's chart of accounts (or portions thereof) describing capitalized versus operating expense items.

   c. A seismic report per Appendix 5C for existing properties in the event that the values for SX_S and SX_1 exceed prescribed parameters.

   d. A statement of qualifications and experience for the needs assessor unless such a statement has been entered on the "Narrative" form of the Assessment Tool. This requirement does not apply to the Project Architect or other design professionals, or the lender's construction analyst in new construction or substantial rehabilitation projects where qualifications are otherwise described.

   e. Additional Test reports for existing properties whenever the "Additional Test" question on the "CNA Scope Form" is answered "yes."

f. Aerial photo(s) or satellite images for each site of existing properties showing the full site and all structures on each site and labeled by property name and site address.

g. Annotated photography for existing properties showing the sites and buildings, unique and typical common spaces, each unit type including all rooms and baths, and typical conditions together with any photos necessary to document specific locations and/or the nature or content of immediate repairs, each numbered and labeled and accompanied by such text comments as appropriate. Photos of unit interiors should document not only exceptional conditions (good or bad), but also actual conditions of every 5th dwelling unit inspected including any common areas (hallway, breezeway, elevator) that must be transited to access the unit. While photos or text documents may be attached to address a particular component or topic, it is recommended that the needs assessor and/or lender assemble photography and comments in a single or multiple pdf documents organized by Need Category, i.e. by ASTM outline, e.g. 3.2 Site, 3.3 Mechanical & Electrical Systems, etc. These attachments should cover all Need Categories from 3.2 through 4.0. See the Standard Estimated Useful Life Table.

h. Annotated site plan(s) for any existing property where paving, flat work, accessible path modifications or remedies and other exterior site work is required. The site plan should be annotated to indicate the location and extent of immediate repairs. Alternatively, annotated satellite views or aerial photos, or a sketch drawing may also be used to locate site work proposed as immediate repairs.

i. Utility analysis report and ASHRAE Level II Energy Audit if any.

j. Selected construction documents identified in Chapter 5 for substantial rehabilitation (less than gut rehabilitation) and refinancing proposals where a project architect and/or a general contractor is (are) engaged.

k. Third party certifications for the lender's needs assessor and/or construction analyst consistent with Chapter 11.2 subsections G and H.

l. Spreadsheet demonstrating that any negative balances in the second 10 years of a reserve for replacement schedule do not exceed 50% of the cumulative amortization of the insured mortgage.

3. After validation and selection of attachments, the submitter must enter his/her name and e-mail address. Submitters should exercise care when submitting inasmuch as the CNA e Tool will permit only a single CNA submitted for review for any property (i.e. for any FHA # or REMS

#). The CNA cannot be amended or updated after submission unless it is first returned to the lender by HUD. The submitter will see an immediate message indicating whether the submission is successful and will see the CNA "assessment ID" number. The submitter should make a note of the assessment ID number as a means of locating the CNA among those submitted by the same lender and also as a means of locating the CNA in the event that troubleshooting assistance is required by the REAC TAC help desk or HUD staff. The submitter will also receive an automatic e-mail response confirming that the CNA is successfully submitted and again providing the assessment ID number. By submitting, the user certifies as follows:

> *By submitting this Capital Needs Assessment I certify as follows:*
> *I am authorized to bind my firm and to submit Capital Needs Assessments via the web portal for the CNA e-Tool. We have reviewed the Capital Needs Assessment and all relevant attachments submitted with it. Neither my firm nor its employees has a financial interest or family relationship with the principals, officers, directors, stockholders, partners or affiliates of the borrower/owner of the multifamily property which is the subject of this Capital Needs Assessment or with any construction contractors or property managers employed by the borrower/owner or its principals. Our review included an evaluation of the qualifications and experience of the needs assessor and the needs assessor firm (or architect or engineer or other professional evaluator or related firm as appropriate here and elsewhere in this Certification) retained to complete the needs assessment or portions thereof and we conclude that these qualifications and experience are appropriate for the size and location of the multifamily property and for the construction technologies used at the site. The needs assessment together with all relevant forms, tables and exhibits has been prepared in the manner required by the MAP Guide and are complete and accurate. The needs assessor and/or the needs assessor firm are independent third parties whose compensation is not contingent upon any result except the competent completion of the needs assessment in accordance with the MAP Guide. Except as disclosed there are no other side deals, agreements or financial considerations between ourselves and the needs assessor or needs assessor firm. We have no identity of interest with the needs assessor or the needs assessor firm, and we have no business or personal relationships that might present a conflict of interest. The needs assessor and/or the needs assessor firm have evidenced to us that they are possessed of qualifications and experience appropriate to the size, location and construction technology of the subject multifamily property and have no identity of interest, financial or family relationship with the principals, officers, directors, stockholders, partners or affiliates of the borrower/owner or any construction contractors or property managers employed by them.*

VIII. HUD REVIEW OF CAPITAL NEEDS ASSESSMENTS

HUD staff and any contractors acting on HUD's behalf as Participating Administrative Entities (PAEs) or as contract underwriters will review each submitted CNA using the web based Review Tool. Tasks, methods and screens visible in the Review Tool are described in the Internal Users' Manual. Access to the Reviewer Tool is limited to authorized HUD staff and similarly authorized contractors. The Review Tool has work assignment and work flow management features that are available to users authorized as "Assigners." The Review Tool has reports and flag editing and custom flag creation features that support HUD staff review conducted by users authorized as "Reviewers." Only HUD staff authorized as "assigner" can approve or return a submitted CNA. In general, Production Chiefs, Technical Branch Chiefs, Senior Underwriters and Account Executives will be authorized as Assigners, and underwriters and construction analysts will be authorized as Reviewers. Users may be authorized as both assigners and reviewers and managers should assure that an adequate number of assigners, and reviewers exist in their jurisdiction to assure redundant capacity to assign, review and decide CNAs. Any person with the Assigner role should also have the Reviewer role. Reviewers may reassign a CNA to another reviewer. Assigners and reviewers do not need to be in the same Regional Center or Satellite Office. The CNA e Tool facilitates work sharing. HUD review encompasses three basic functions: assignment and work flow management; review; and decision (approve or return).

A. CNA Assignment and Work Flow

The CNA e Tool will generate two nightly reports and e-mail them to each HUD assigner. The first of these is the Assessment Status Daily Report. This is a report of CNAs submitted for HUD review with the status of each. The report will show information needed for assigners to recognize whether a particular CNA is their responsibility together with the status of the CNA ("submitted" but not assigned, assigned and "under review", reviewed and "returned" to the lender for revision, or "approved" by the assigner) the date assigned and the elapsed time since submission. Assigners will identify CNAs within their geographic and programmatic responsibility and assign these to reviewers. The second report describes the number of CNAs assigned to particular reviewers and the number of days since the assignment. This report is named the CNA Review Workload Summary. Both reports will download as Excel worksheets enabling the user to sort data to isolate CNAs relevant to their program and geographic responsibilities.

Assigner's will review the Assessment Status Daily Report by sorting the CNA Type for the HUD CNA types relevant to their duties. The choices are:

- "Application Development," meaning that the CNA is prepared for an application for mortgage insurance.
- "Asset Management," meaning that the CNA is a 10 year update CNA or prepared in

support of a proposed transfer of physical assets or other process supervised by the Office of Asset Management and Portfolio Oversight.

- "M2M," meaning that the CNA is prepared for a Participating Administrative Entity (PAE) retained to manage mark to market transactions.
- "RAD," meaning the CNA is in support of an application for the Rental Assistance Demonstration to be reviewed by the Office of Recapitalization RAD underwriting team.
- LIHTC Pilot meaning that the CNA is associated with a low income housing tax credit pilot transaction and is to be reviewed by the staff dedicated to the LIHTC Pilot.

Assigners will also sort by State and/or City to further identify CNAs for transactions within their jurisdiction. For any CNA's with the current status of "submitted" the assigner must sign on to the Reviewer Tool locate the CNA and assign it to a reviewer. If a submitted CNA is associated with an application for mortgage insurance, assigners must determine that an application fee has been paid. Senior underwriters should use basic property characteristics [age and building type, e.g. high rise, or elderly] and the executive summary, annotated photography, the "Snapshot" report and the lists of immediate repairs to determine whether the CNA requires review by a technical specialist (construction analyst) or not. If so, the Senior Underwriter should re-assign the CNA to the Technical Branch Chief or to a construction analyst. Generally, CNAs for new construction, substantial rehabilitation and existing properties with Level 2 (or higher) Alterations, older properties and properties with accessibility deficiencies should be reviewed by a construction analyst.

See the Internal Users' Manual for specific steps to assign a CNA in the Reviewer Tool.

B. CNA Review

There is no required sequence for CNA review but good practice suggests the following:

1. Use summary documents to get an initial, overall perspective. Key elements useful for this purpose are the "Snapshot" which is found in the "Reports" panel and opens as an additional webpage. The Snapshot describes building ages, whether accessibility statutes apply, counts of buildings, units and relevant square foot totals, summarizes the sample of units inspected and graphically illustrates whether the financial plan is balanced. Other useful elements include the Executive Summary Narrative and the "Property Tree" panel which allows the reviewer to drill down through multiple layers (e.g. property, site, building, units and common areas) to see at a glance as much detail concerning the property inventory as desired.
2. Determine that the list of All Components and Alternatives including both the standard, and the assessed RUL is consistent with the components observable in the annotated photography, and with the Borrower's chart of accounts (distinguishing between capital and operating expense items.)
3. Examine the Financial Factors to determine that initial rates of inflation, short term interest rates on escrow balances and any per annum percentage change in the amount of the annual

deposit are consistent with current economic conditions and supported by reference to appropriate sources. Check also to determine whether a change in these rates is projected and whether the changed rates reflect historical averages. Determine that the relative year when historical averages, if any, are applied is a realistic end point to the initial rates in light of current economic trends and volatility.

4. Examine any flags and the lenders comment or explanation for flags. If unsatisfactory, the reviewer can and should select "edit" under the reviewer comment column and describe the reason why the explanation or response is unacceptable. These reviewer comments will be considered by the assigner in light of other underwriting issues and may be modified by the assigner and ultimately made known to the lender (submitter) when and if the assigner returns the CNA to the lender.
5. The reviewer may add a custom flag and a flag note to indicate an unsatisfactory outcome or conclusion not identified by any of the automated flags, (e.g. rejecting a lender's indicated rate of change in the annual deposit as excessive or unsupported by a stress test for rents and operating expenses including the proposed annual deposits.) See the Internal User's Manual for instructions on creating custom flags. Custom flags will also be considered by the assigner and may be modified or deleted based on underwriting considerations and judgment. While e-mails and phone communications with lenders are frequently useful, the CNA e Tool is designed to document communication and comment on CNAs by using flag notes.
6. Examine the lists of immediate repairs, again in comparison to the annotated photography, the age of the building/property and in comparison with the list of future repairs. Determine that the described location and specification of the repairs/replacements is actionable, adequate to support cost estimation, and sufficient to allow a third party inspector to conclude that the prescribed repair has been completed at a given location with the requisite materials, products and level of finish.
7. Give particular attention to accessibility remedies, again in light of the annotated photography, the particular statutes that apply, the time in months proposed for completion of individual remedies and whether the described scope of the repair and explanatory comment are sufficient to define both the deficiency and the proposed remedy. If dimensioned spaces are involved determine that these are adequately documented photographically and that sketch plans for remedies are provided when bathroom, kitchen, door and accessible path changes in dimension are required.
8. Consider the ASHRAE Level II Energy Audit, if any, and assess the credentials of the auditor and the reasonableness of projected utility consumption savings.
9. The reviewer may not approve or return the CNA. When the review task is completed and documented with flag notes, custom flags and any general comments (in the general comment box in the "Decision" panel of the Reviewer screen), the reviewer should select the "Ready for Decision" option in the Decision panel. The assigner can then open the CNA and consider the reviewers notes and comments and in light of other underwriting considerations may alter these or if further or corrected review is needed may assign the CNA back to the same or

another reviewer with instructions in the comment box in the Decision panel. Or if the assigner determines that the CNA requires revisions by the lender, s/he will return it to the lender. HUD employees or contractors are not permitted to revise or "correct" a CNA, nor may a CNA be approved with conditions (e.g. approved subject to a revised list of repairs to be provided later). All such changes and revisions must be made by the lender. The CNA e Tool will capture the final results of underwriting in the "approved" CNA and produce selected documents required as attachments to Firm Commitments or Regulatory Agreements. Accordingly the underlying premise is that any HUD requirements for changes or modifications are documented in flag notes and addressed by the lender after the HUD assigner returns the CNA to the lender for response and/or modification and resubmission. While returned CNAs are retained in the database and may be accessed by submitters and assigners/reviewers for comparative or audit purposes, "version control" is achieved by allowing only one CNA for a particular property or application with the status of "submitted" or "under review" or "ready for decision." See Section VII.B.9.

C. CNA Decision

As noted in paragraphs VIII.B.5 and 9 above, the CNA e Tool is designed on the assumption that a CNA will be reviewed by HUD and revised or perfected by the lender in a sequence of submit/review/return and respond/revise/resubmit exchanges. When the lender submits a CNA that HUD deems acceptable and consistent with all other underwriting considerations (e.g, suitable for firm commitment) then the assigner should approve the CNA. The submitter will receive an automated message indicating that the submitted CNA has been approved. HUD assigners should exercise care to assure that all relevant underwriting tasks and reviews, including any loan committees, are completed and all issues addressed before approving a CNA. If after firm commitment circumstances arise that require an amendment to an approved CNA, then an assigner may locate the approved CNA and select "undo approval" which selection changes the status of the CNA to "returned." The submitter (lender) is notified and may then make such changes as the circumstance may require. The amended CNA must then be resubmitted and reviewed in accordance with the same methods as used for initial submissions.. In some cases CNA results or an applicant's inability or unwillingness to address identified deficiencies may lead either to the withdrawal of an application for mortgage insurance (or restructuring) or a decision to reject the application. In such cases if the status of the CNA is "under review" then the assigner should return the CNA so as to close the record.

D. Documents for Firm Commitment

After a CNA is approved selected reports needed as attachments to Firm Commitments and /or Regulatory Agreements may be produced. These include:

1. Critical Repairs for Existing Properties

   A schedule of Critical Repairs composed of two detailed lists of repair/replacement items, described in quantities, location, cost and relevant thumbnail specifications. One list will describe Critical Repairs classified as "life safety". The second will describe all remedies for accessibility deficiencies.

2. Non-Critical Repairs for Existing Properties

   A schedule of Non-Critical Repairs, Repairs and Alterations described in quantities, location, cost and relevant thumbnail specifications, together with such sketches or drawings as may have been determined necessary for clear communication and adequate inspection

3. Simple Construction Schedules

   For transactions where a construction schedule is useful but critical path and/or task dependencies are not required, the lists of immediate repairs can be sorted by "time to complete" resulting in a list of repairs grouped by the number of months required to complete them. This would apply to Section 223(f) refinancing transactions where project architect or a general contractor is employed or for substantial rehabilitation less than gut rehabilitation.

4. HUD form 92329

   For existing, proposed and substantial rehabilitation properties a schedule of insurable values by building, i.e. replacement cost as new.

5. Schedule of Initial and Annual Deposits

   For existing, proposed and substantial rehabilitation properties, a schedule of deposits to the reserve for replacement escrow account including both an initial deposit if any and annual deposits.

E. Amendments to Approved CNAs

When unforeseen circumstances or manifest error require an amendment to a firm commitment and the substance of the amendment arises from or requires a change in the CNA, HUD must authorize an amendment to the CNA. The Production Chief or other senior manager will log on to the reviewer tool, locate the subject CNA and select "Amend" which changes the status of the approved CNA to "returned" and returns the CNA to the lender (submitter.) The lender must open the Assessment file for the property, make the revisions and/or corrections necessary and resubmit the CNA in the same fashion as if for an application. The responsible assigner will again assign the revised and resubmitted CNA for review, if needed, and when ready for approval the assigner will approve the amended CNA. New reports and firm commitment exhibits may then be printed as required in preparation for endorsement.

H. Design Professional Certifications

1. Project Architect's Certification for New Construction and Substantial Rehabilitation

HUD Project Name

HUD Project Number

Borrower

I, the undersigned Project Architect, to the best of my knowledge, belief and professional judgment, hereby certify that the proposed construction in accordance with the drawings and specifications prepared for the subject Project:
(a) is permissible under the applicable zoning, building, housing, and other codes, ordinances and/or regulations, as modified by any waivers obtained from appropriate officials;
(b) complies with the HUD Minimum Property Standards;
(c) allows for site soils limitations and incorporates design recommendations included in the foundation soils report and any other geotechnical reports;
(d) for any structures first occupied or to be first occupied after March 13, 1991, the structures and site improvements conform to the design and construction requirements of the Fair Housing Act (42 USC 3604(f)(3)(C), and 24 CFR 100.205);
(e) for any portion of the construction which is a public accommodation, conforms with the requirements of Title III of the American's with Disabilities Act;
(f) conforms with any state or local government requirements for accessibility for persons with disabilities including state or local measures to implement Title II of the Americans with Disabilities Act concerning state and local programs.

You have informed me that the project (check one):
_____ has never been and will not be federally assisted or
_____ has been/will be federally assisted.

If the project has been or is proposed to be federally assisted the proposed construction meets the requirements of Section 504 of the Rehabilitation Act of 1973 as implemented by 24 CFR Part 8.
Waivers of codes etc., were obtained as listed in attachment (identify):

Signed by _____
Date _____

Architect's Name _____

Business Address _____

License Number _____

Warning: Title 18 U.S.C. 1001, provides in part that whoever knowingly and willfully makes or uses a document containing any false, fictitious, or fraudulent statement or entry, in any manner in the jurisdiction of any department or agency of the United States, shall be fined not more than $10,000 or imprisoned not more than five years or both.

2. Project Architect's Certification for Refinancing (when a project architect is engaged)

HUD Project Name

HUD Project Number

Borrower

I, the undersigned Project Architect, to the best of my knowledge, belief and professional judgment, hereby certify that the proposed construction in accordance with the drawings and specifications prepared for the subject Project:
(a) is permissible under the applicable zoning, building, housing, and other codes, ordinances and/or regulations, as modified by any waivers obtained from appropriate officials;
(b) complies with the HUD Minimum Property Standards as applicable to existing buildings;
(c) for any structures first occupied or to be first occupied after March 13, 1991, the reconfigured spaces and/or alterations to site improvements (excluding spaces not reconfigured and unaltered improvements) conform to the design and construction requirements of the Fair Housing Act (42 USC 3604(f)(3)(C), and 24 CFR 100.205) and if not, then any nonconforming elements have been identified and described in the drawings and specifications;
(d) for any reconfigured portion of the construction which is a public accommodation, conforms with the requirements of Title III of the American's with Disabilities Act, and if not, then any nonconforming elements have been identified and described in the drawings and specifications;
(e) any reconfigured spaces or alterations of site improvements conform with any state or local government requirements for accessibility for persons with disabilities including state or local measures to implement Title II of the Americans with Disabilities Act concerning state and local programs, and if not, then any nonconforming elements have been identified and described in the drawings and specifications .

You have informed me that the project (check one):
_____ has never been and will not be federally assisted or
_____ has been/will be federally assisted.

If the project has been or is proposed to be federally assisted the proposed reconfigured spaces or alterations of site improvements meet the requirements of Section 504 of the Rehabilitation Act of 1973 as implemented by 24 CFR Part 8, and if not, then any nonconforming elements have been identified and described in the drawings and specifications.
Waivers of codes etc., were obtained as listed in attachment (identify):

Signed by _____

Date _____

Architect's Name _____

Business Address _____

License Number _____

Warning: Title 18 U.S.C. 1001, provides in part that whoever knowingly and willfully makes or uses a document containing any false, fictitious, or fraudulent statement or entry, in any manner in the jurisdiction of any department or agency of the United States, shall be fined not more than $10,000 or imprisoned not more than five years or both.

3. Certificate of Professional Liability Insurance

HUD Project Name

HUD Project Number

Borrower

To: Lender and Secretary of Housing and Urban Development

I certify that _____(Name of Architect/ Engineer/ Design Professional) is insured in the amount of $_____ under _____(Name of Insurer) Policy No. _____ of Architect and/or Engineers Professional Liability Insurance.
This Policy shall be maintained up through acceptance of the 12-month warranty inspection for the subject HUD Project.

Signature _____
Title _____
Date _____

Insurer's Name _____
Business Address _____
_____

Warning: Title 18 U.S.C. 1001, provides in part that whoever knowingly and willfully makes or uses a document containing any false, fictitious, or fraudulent statement or entry, in any manner in the jurisdiction of any department or agency of the United States, shall be fined not more than $10,000 or imprisoned not more than five years or both.

I. HUD Cost Reviewer Reports Format

The following review reports formats are to be used to document Technical Reviews. The Technical Support Division Branch Chiefs and Production Division Directors have discretion to approve modifications or alternative formats.

1. Cost Review Report for Pre Application

HUD Office Name _____
Pre-Application Submission Date _____
Project Name _____
Project Location (City, State) _____
MAP Lender Name _____

Summary of HUD Cost Review

A. Cost exhibits:
   1. Mortgagor's Architect's sketch plans
   2. Form HUD-92013
      If incomplete, specify:

B. For Substantial Rehabilitation projects, include the following:
   1. Mortgagor's Architect's Basic Work Write-up
   2. Mortgagor's summary cost estimate for substantial rehabilitation (based on Basic Work Write-up)
      If incomplete, specify:

C. HUD Cost Estimator determination of:
   1. Structure type (from sketch plans):
   2. Gross floor area (from sketch plans):
   3. Estimated Total Structures cost (from cost data):
   4. For Substantial Rehabilitation, indicate major trade item groups (if required), and subtotals:
   5. Estimated Total Land Improvements cost (from cost data):
   6. Estimated General Requirements (from cost data):
   7. Estimated fee items (from cost data):
      a. General Overhead
      b. Builder's Profit
      c. Architectural Fees
      d. Bond Premium
      e. Other Fees

D. Review of mortgagor's Form HUD-92013:
   1. Percentage difference between mortgagor's Total Structures cost (Section G, Line 8) and HUD Cost Estimator's Total Structures cost:
      If unacceptable, document:

   2. Percentage difference between mortgagor's Total Land Improvements cost (Section G, Line 3) and HUD Cost Estimator's Total Land Improvements cost:
      If unacceptable, document:

3. Percentage difference between mortgagor's General Requirements and fees (Section G, Lines 10 through 19) and HUD Cost Estimator's General Requirements and fees:
   If unacceptable, document:

I have reviewed the subject project and hereby make the following recommendation(s):

Reviewer:
Name of Reviewer _____
Signature and Date of Review _____ Date _____
Concurrence:
Name of Team Leader _____
Signature and Date of Concurrence _____ Date _____

2. HUD Cost Review of Lender's Cost Analyst's Report for Firm Exhibits – New Construction and Substantial Rehabilitation

HUD Office Name _____
Firm Commitment Submission Date _____
Project Name _____
Project Location (City, State) _____
MAP Lender Name _____

Summary of HUD Cost Review

A. Firm Commitment deliverables (Review for completeness only):
   1. Mortgagor's:
      a. Detailed plans and specifications
      b. Detail Work Write-up (For substantial rehabilitation projects)

      If incomplete, specify:

   2. Lender's Cost Analyst's Review Report:
      a. Lender's detailed cost estimate
      b. Comparison of Lender's and general contractor's cost estimates
      c. Prior approval of Identity of Interest subcontracts
      d. Property Insurance schedule
      e. For substantial rehabilitation projects, include the Lender's estimate for Annual Deposit to the Replacement Reserve.

      If incomplete, specify:

   3. Completed Forms with signatures:
      a. HUD-922 54
      b. HUD-9232 5
      c. HUD-92331-B
      d. HUD-92329
      e. HUD-2328

      If incomplete, specify:

   4. Subcontracts for Identity of Interest subcontractors

      If incomplete, specify:

B. HUD Cost Review:
   1. Comparison of Lender's cost estimate and contractor's HUD-2328 with HUD cost data:
      a. Total Structures
      b. Total Land Improvements
      c. General Requirements

d. Fee items
e. Cost Not Attributable items

If unacceptable, document:

2. Examination of Lender-contractor variance report (Form HUD-2331-B)
   If unacceptable, document:
3. Examination of:
   a. Identity of Interest relationships
   b. Applications for prior approval of Identity of Interest subcontractor overhead and profit

   If unacceptable, document:
4. Examination of Property Insurance Schedule
   If unacceptable, document:

I have reviewed the subject project and hereby make the following recommendation(s):

Reviewer:
Name of Reviewer _____
Signature and Date of Review _____ Date _____
Concurrence:
Name of Team Leader _____
Signature and Date of Concurrence _____ Date _____

3. HUD Cost Review of Lender's Report for Firm Exhibits - Section 223(f) & 223(a)(7)

HUD Office Name _____
Firm Commitment Submission Date _____
Project Name _____
Project Location (City, State) _____
MAP Lender Name _____

Summary of HUD Cost Review

A. Firm Commitment deliverables:
   1. Lender's Project Capital Needs Assessment and Replacement Reserve Escrow (PCNA) Report
   2. Completed Form HUD-922 54 with signatures
   3. Completed Form HUD-92329

   If incomplete, specify:

B. HUD Cost Review:
   1. Examination of Lender's PCNA Report:
      a. Critical repairs to be completed before endorsement
      b. Non-critical repairs to be completed after endorsement and estimated repair costs
      c. Expected repair replacement and major maintenance items over a specified period of time
      d. Initial Deposit to Replacement Reserve, if any
      e. Monthly Deposit to Replacement Reserve

      If unacceptable, document:
   2. Lender's Property Insurance Schedule

      If unacceptable, document:

I have reviewed the subject project and hereby make the following recommendation(s):

HUD Office Name _____
Project Name _____
Project Location (City, State) _____
MAP Lender Name _____

J. Costs Not Attributable

1. Cost Not Attributable for New Construction

A. For new construction projects, costs not attributable is calculated as a percentage. The percentage consists of the ratio of the cost of the non-attributable spaces and facilities (abbreviated "B") to the total cost of land improvements and structures (abbreviated "A"), known as the B over A ratio, or simply B over A.

B. B over A Ratio. Costs are generally based on gross floor area of the building, area of exterior site improvements, and/or lump sums.

1. To calculate "B" costs:
   a. Prepare a worksheet describing by category each item considered in CNA, showing the calculation of the cost of each item. Do not include General Requirements or fees in the calculation.
   b. Show the basis of measurement and the unit price.
   c. Summarize the categories and total in Form HUD-92326 and Section M of Form HUD-92264.
2. To calculate "A" costs:
   "A" is the sum of Total Structures and Total Land Improvements, before General Requirements or fees are added. To calculate "A", add the amounts in lines 36c and 41 in Section G of Form HUD-92264.
3. To calculate B over A:
   Divide the "B" costs by the "A" costs. Express as a percentage and enter in Section M of Form HUD-92264.

C. Costs Not Attributable Categories. There are two main categories, Residential and Commercial. Each is calculated independently of the other and each has a maximum limit of 15%, resulting in a total cost not attributable of up to 30% (see the example in Section 6.3.C.3.d). Every use must be categorized either as Residential or Commercial, but not both. Note: Any request to waive these limitations must be documented and justified in accordance with the provisions of Chapter 11 Section 11.2.

1. Residential Costs Not Attributable. This consists of non-attributable items solely for the use of residents of the project. Items to consider as not attributable to dwelling use are:
   a. Parking areas and the walks and driveways specifically leading to them and serving them. Do not include public roads and streets, or walks and driveways that lead to and serve the building entrance.
   b. Garages, garage spaces, and covered parking, and the walks and driveways leading to them, excluding public roads and streets.
   c. Other improvements include**:**
      i. Community space, such as: multipurpose rooms, game rooms, lounges, libraries, and hobby or craft rooms, including furniture or movable equipment.

ii. Project administrative and maintenance spaces, such as: offices, repair shops, employee toilets, and janitor or cleaning closets, including furniture or movable equipment.
iii. Storage facilities that are not for tenant use.

i. Recreational facilities, such as: swimming pools, tennis courts, basketball courts, and tot lots, including furniture or movable equipment.
ii. Works of art that are fixed in place, such as wall murals or permanent ornamental fountains.

d. Special Exterior Land Improvements are features unusual or in excess of those typical in projects for similar occupancy.
   i. Include such items as patios, sitting areas, and gazebos for the use of all project occupants. Include fountains and pools, exterior works of art, unusual trees and shrubs, and ornamental lighting and fencing.
   ii. Do not include typical earthwork, roads and walks leading to and serving the dwellings, typical lawns and plantings, private balconies and patios, utility lines, retaining walls, or security lighting and fencing.

2. Commercial Costs Not Attributable
   This consists of areas or buildings and improvements intended for the use of the public as well as project residents. The most common commercial uses in residential developments are:
   a. Shops,
   b. Offices, and
   c. Public parking.
   Include only the basic and permanent structural improvements typical in vacant commercial space. Do not include equipment, fixtures, movable partitions, special finishes, etc., for a specific business.

D. Limitation on Cost Not Attributable
   1. Residential: The B over A ratio for residential costs not attributable should not exceed 15%. This is exclusive of any commercial space in the project, which will have a separate commercial costs not attributable.
   2 Commercial: Commercial costs not attributable applies to commercial space such as shops that are in a residential structure, but serve the general public as well as the residents. This is calculated separately from residential costs. The B over A ratio for commercial costs not attributable should not exceed 15 percent. The Lender's underwriter should be aware of the higher risk inherent in commercial space and take special care to evaluate the commercial market in order to determine the maximum commercial space that can be included in the project without imposing undue risk**.**

   Example: A project has residential CNA of 12% and commercial CNA of 7%. Each CNA category is within the 15% guidelines. Total CNA for the project is 12% residential plus 7% commercial, equaling 19%

E. Items not to be included in Costs Not Attributable:

1. Dwelling units. No portion of any dwelling unit, or any balcony or patio solely for the private use of the resident of the individual dwelling unit, is to be included in costs not attributable.
2. Utility rooms. Do not include utility rooms or portions of basements devoted to utilities such as boilers or furnaces, hot water heaters, water and sewer mains, gas mains, or electrical panels or closets.
3. Circulation elements. Do not include entrances, lobbies, halls, corridors, stairs, and elevators used by the occupants to enter and leave dwelling units. Do not include roads and walks that lead to and serve the dwellings.
4. Prorating of circulation elements. A prorating of circulation elements between dwelling use and any category in costs not attributable is not permitted.
5. Minor movable items that are not part of the real estate.
6. For commercial costs not attributable, do not include equipment, fixtures, movable partitions, special finishes, etc., for a specific business.

2. Cost Not Attributable for Substantial Rehabilitation

Worksheet

1. Total Rehab Cost
(Without fees - Lines G 3 5c + G41 from HUD-922 54) = $ _____

2. Rehab Cost Not Attributable*
(Dollar amounts without fees for Structures and Land Improvements) = $ _____
* From Cost Analyst

3. Ratio of Not Attributable*
Project Structures Not Attributable Square Feet (Structure(s) only) _____sq. ft.*
Divided by Total Project Structures Gross Square Feet (Structure(s) only)
_____ sq. ft.* = _____ %
* From Cost Analyst

4. "As-Is" Not Attributable
Total "As-Is" Value $ _____ (From Line G.73b of Form HUD-922 54)
X Ratio from #3 _____ % = $_____

5. Total Cost Not Attributable
"As-Is" Not Attributable (#4) $ _____
plus Rehab Cost Not Attributable (#2) $ _____ = $ _____

5. Total Cost Without Fees
Total Rehab Cost Without Fees $ _____ (From #1) plus
Total "As-Is" Value $ _____ (From Line G.73b of Form HUD-922 54) = $ _____

7. The Percentage Not Attributable
Divide Total Cost Not Attributable (#5) $ _____
by Total Cost Without Fees (# 5) $_____ = _____%

8. Rehab Cost Not Attributable for Project Structures
Total Estimated Replacement Cost of Project (Line G.74)
$ _____ X Percentage Not Attributable (#7) _____ % = $ _____

9. "As-Is" Not Attributable for Open Air Parking Lots and Other Open Air Uses
Total Open Air Non-Attributable Area _____ sq. ft.* X Estimated Value of Land Without Improvements $_____ divided by Site Area _____ sq. ft. = $_____
* From Cost Analyst

10. Total Rehabilitation Cost Not Attributable to Residential Use
Add Rehab CNA for Project Structures (#8) $_____ and "As-Is" Not Attributable for Open Air Parking Lots and Other Open Air Uses (#9) $_____ = $_____

3. Cost Not Attributable Examples

EXAMPLE OF CALCULATING COST NOT ATTRIBUTABLE FOR NEW CONSTRUCTION

A 50-unit apartment building has a gross floor area of 30,000 sq.ft. and a footprint of 7,200 sq.ft. It has a Total Structures cost of $1, 5 55,000, and a Total Land Improvements cost of $250,000. It has a community room on the ground floor, a parking lot, an exterior patio with benches, tables, and ornamental shrubs, and a playground with swings and slides. Using the architectural drawings, determine the area of the community room, parking lot, patio, and playground, and the number of benches, tables, ornamental shrubs, swings and slides. Calculate the cost of each item.

Unit quantities:

Community room - 550 sq.ft.
Asphalt parking lot for 50 cars - 15,000 sq.ft.
Concrete Patio - 400 sq.ft.
Playground - 900 sq.ft.
5 ft concrete patio benches - 5
3 ft x 3 ft concrete patio tables - 5
Ornamental shrubs - 12
Playground swing sets - 2
Playground slides - 2

Unit costs:

A. The community room is part of the structure, while the rest of the non-attributable features are exterior. The unit cost for the community room will be the Total Structures cost per gross square foot of building area. In Form HUD -922 54, divide $1, 5 55,000 (Line 41 of Section G) by 30,000 sq.ft. (Line 33 of Section C), giving a cost per gross square foot of $55.50.

B. Determine unit costs for exterior features from the Office benchmark data bank or a published data source. The exterior unit costs used in this example are typical.

Parking lot:

Asphaltic concrete parking lot paving - $1.25 per sq.ft.
Concrete perimeter curbing (500 lin ft) - $10.50 per lin. ft.
Concrete parking bumpers - $30 ea.
Stormwater catch basins (4) - $1500 ea.
Storm drain line (350 lin ft) - $27 per lin. ft.
Parking lot striping - $4 per car

Patio:
Concrete patio paving - $4 per sq.ft.
Concrete patio benches - $500 ea.
Concrete patio tables - $1000 ea.
Ornamental shrubs - $100 ea.
Playground:
Asphalt paving - $2 per sq.ft.
Rubber safety surface - $3 per sq.ft.
Swing sets - $500 ea.
Slides - $1000 ea.

C. Cost Calculations:

1. "B" Costs:

These are summarized according to category in Section M of Form HUD-922 54.

M.10 - Parking

Parking lot paving - 15,000 sq.ft. x 1.25	= 18,750
Parking lot curbing - 500 lin.ft. x 10.50	= 5,250
Parking bumpers - 50 x 30.00	= 1,500
Catch basins - 4 x 1500.00	= 5,000
Storm drain - 350 lin.ft. x 27.00	= 9,450
Striping - 50 x 4.00	= 200
Summary cost	= 41,150

M.13 - Special Exterior Land Improvements

Patio paving - 400 sq.ft. x 4.00	= 1, 500
Patio benches - 5 x 500.00	= 3,000
Patio tables - 5 x 1000.00	= 5,000
Ornamental shrubs - 12 x 100.00	= 1,200
Playground paving - 900 sq.ft. x 2.00	= 1,800
Safety surface - 900 sq.ft. x 3.00	= 2,700
Swing sets - 2 x 500.00	= 1,000
Slides - 2 x 1000.00	= 2,000
Summary cost	= 19,300

M.14 - Other

Community room - 550 sq.ft. x $55.50 = $3 5,075

Total Summary Costs = M.10 + M.13 + M.14 = **TOTAL "B" COSTS = $9 5,525**

Enter summary costs and breakdown in Section M.

2. "A" Costs

Total Structures (HUD-922 54, line G.41)	= $1, 5 55,000
Total Land Improvements (line G.3 5c)	= 250,000
TOTAL "A" COSTS	**= $1,915,000**

3. Cost Not Attributable (B over A):
"B" costs @ $9 5,525 divided by "A" costs @ $1,915,000 = 0.0504 = 5.04 percent
Enter the percentage in Section M of Form HUD-922 54.

EXAMPLE OF CALCULATING COST NOT ATTRIBUTABLE FOR SUBSTANTIAL REHABILITATION

Apartment building containing community space and commercial space, a separate athletic club building, and an open-air parking lot.

Units: 50
Gross Floor Area: 50,000 sq ft (residential structure)
1,000 sq ft (athletic club building)
Total Site Area: 25,000 sq ft

Form HUD-922 54 Section G

Rehab cost for Structures:	=	$1,020,000
Rehab cost for Land Improvements:	=	$125,000
Rehab Gen. Requirements an	=	$225,000
Soft Costs:		
Carrying Charges, Financing, Legal, Organizational, Audit	=	$400,000
Contingency Reserve	=	$100,000
"As-Is" Value:		
Structure: $3,000,000 (residential) + $50,000 (athletic club building) + Land: $500,000 (25,000 sq ft @ $20/sq ft)	=	$3,550,000
Total = Line G.74	=	$5,420,000

Non-attributable areas:
Residential Structure: Community Room @ 1000 sq ft
Commercial space @ 2000 sq ft
Athletic club building @ 1000 sq ft
Open air: Parking lot for 50 cars @ 15,000 sq ft

Rehab Cost Not Attributable (Without Fees):
Residential Structure: Community Room: 1000 sq ft @ $20/sq ft = $20,000
Commercial space: 2000 sq ft @ $30/sq ft = $ 50,000
Athletic club building (non-commercial): 1000 sq ft @ $20/sq ft = $20,000
Open Air: Patch and re-stripe parking lot:
15,000 sq ft @ $1/sq ft = $15,000

STEP A: B over A Test:

Non-commercial Uses:

Community Room: B = $20,000 (Rehab CNA)
Athletic club bldg: B = 20,000
Parking Lot B = 15,000
Total B = $55,000
A = $1,145,000 (Rehab cost for Structures plus Land Improvements)

Non-commercial B over A percentage
= $55,000/ 1,145,000 = 4.80 percent. **Acceptable.**

Commercial space:

Commercial B over A percentage
= $ 50,000/ 1,145,000 = 5.24 percent. **Acceptable.**

STEP B: Rehab CNA Worksheet:

Step 1. **Total Rehab Cost**
Land and Structures = **$1,145,000**

Step 2. **Rehab Cost Not Attributable**
= $20,000 + 50,000 + 20,000 + 15,000 = **$115,000**

Step 3. **Ratio of Not Attributable.**

USE ONLY THE AREAS WITHIN THE RESIDENTIAL STRUCTURE AND ENCLOSED NON-ATTRIBUTABLE BUILDINGS FOR PROJECT NOT ATTRIBUTABLE AND PROJECT GROSS SQUARE FEET.

Project Structures Not Attributable Square Feet
= 1,000 sq ft (community room)
Plus 2,000 sq ft (commercial)
Plus 1,000 sq ft (athletic club building)
Total = 4,000 sq ft

Project Structures Gross Square Feet
= 50,000 sq ft (Gross Floor Area – Residential building)
Plus 1,000 sq ft (athletic club building)
Total = 51,000 sq ft

Ratio = 4,000 sq ft / 51,000 sq ft = 0.0784 = **7.84 %**

Step 4. **"As-Is" Not Attributable.**
Total "As-Is" (Land + Structures) = $500,000 + $3,000,000 + $50,000
=$3,550,000 X Ratio from Step 3 = 7.84% = **$278,320**

Step 5. **Total Cost Not Attributable.**
"As-Is" Not Attributable (#4) = $278,320 plus Rehab Cost
Not Attributable (#2) = $115,000 = **$393,320**

Step 5. **Cost Without Fees.**
Total Rehab Cost (Without Fees) (#1) = $1,145,000 +
Total "As-Is" Value (Land + Structures) = $3,550,000 = $**4, 595,000**

Step 7. **The Percentage Not Attributable**.
Divide Total Cost Not Attributable (#5) = $393,320
by Cost Without Fees (# 5) = $4, 595,000 = **8.38 %**

Step 8. **Rehab Cost Not Attributable for Project Structures**.
Total Estimated Replacement Cost of Project (Line G.74) = $5,420,000
X Percentage Not Attributable (#7) = 8.38 % = **$454,19 5**

Step 9. **"As-Is" Not Attributable for Open Air Parking Lots and Other Open Air Uses**
Total Open Air Non-Attributable Area (parking lot) = 15,000 sq. ft.
X Estimated Value of Land Without Improvements = $500,000,
divided by Site Area = 25,000 sq. ft. = **$300,000**

Step 10. **Total Rehabilitation Cost Not Attributable to Residential Use**
Add Rehab CNA for Project Structures (#8) = $454,19 5 and
"As-Is" Not Attributable for Open Air Parking Lots and
Other Open Air Uses (#9) = $300,000 = **$754,19 5**

Appendix 7
Valuation Processing

7A. HUD Appraiser Review – Review of Appraisal and Market Study HUD Valuation Report – Technical Review of Multifamily Accelerated Processing - Pre-Application Section 220, 221(d)(4) and 231

This review of appraisal/consulting work product is to be completed in accordance with Standard 3 of the Uniform Standards of Professional Appraisal Practice (USPAP) currently in effect. The reviewer's client and intended user is the U. S. Department of Housing and Urban Development. The purpose of the review is to ascertain if the appraisal/consulting work product under review meets the applicable requirements of the USPAP and HUD, and that the work product has produced well-supported conclusions that can be relied on for the purpose of making a recommendation to issue, or not issue an invitation to apply for a Firm Commitment for HUD mortgage insurance. The format in this Appendix may be modified by the HUD Review Appraiser to reflect their scope of work on any particular transaction so long as their signature and license number are included and their report is compliant with USPAP.

HUD Multifamily Hub: _____
Team Leader: _____
Reviewer: _____
Date Received for Review: _____
Date of Reviewer Site Visit: _____
Review Report Completion Date: _____
SOA: _____ 220 ____ 221(d)(4) _____ 231
Activity: (check all that apply) ____ New Construction ____ Sub-rehab ____ Acquisition ____ Refinance
Project Name: _____
Case #: _____
Mortgagee: _____
Mortgagor: _____
Appraiser: _____

Market Analyst: _____
Date of Report under Review: _____
Property and Ownership Interest Appraised: _____
Effective Date of Review: _____

A. Standard 3 Compliance:

1. The Reviewer was able to adequately identify the property that is the subject of this review.
   ☐ Yes
   ☐ No (Document)

2. The Reviewer inspected the exterior of the subject and the following units (if applicable, list)
   ☐ Yes
   ☐ No (Document)

3. The Reviewer inspected the exterior of all of the comparables (rental and expense).
   ☐ Yes
   ☐ No (Document):

4. Indicate Resources and Data utilized to research and verify information in the report under review:

5. Describe the analyses employed and any additional work required to complete the review.

6. Describe any extraordinary assumptions that were necessary to complete the review.

7. Is the appraisal/consulting work product under review complete, within the context of the requirements applicable to the assignment?
   ☐ Yes
   ☐ No (Document):

8. Is the data used in the development of the appraisal/consulting work product under review adequate and relevant to the assignment?
   ☐ Yes
   ☐ No (Document):

9. Are the adjustments made to the data presented, appropriate and supported?
   ☐ Yes
   ☐ No (Document):

10. Are the methods and techniques employed by the appraiser relevant to the assignment and consistent with the appraiser's stated Scope of Work?
    - ☐ Yes
    - ☐ No (Document):

11. Are the appraiser's analyses, opinions and conclusions appropriate and reasonable?
    - ☐ Yes
    - ☐ No (Document):

B. Review of the Market Study: (Refer to Chapter 7.5 of the MAP Guide)

1. Does the Executive Summary comply with Section B.?
   - ☐ Yes
   - ☐ No (Document):

2. Is the description of the proposed project defined and characterized in compliance with Sections C?
   - ☐ Yes
   - ☐ No (Document):

3. Is the Primary Market Area (PMA) adequately defined in accordance with sections D?
   - ☐ Yes
   - ☐ No (Document):

4. Has the General Characteristics of the PMA been described in accordance with Section E?
   - ☐ Yes
   - ☐ No (Document):

5. Has the current market conditions been described in accordance with Section F.
   - ☐ Yes
   - ☐ No (Document):

6. Has there been an adequate discussion of Characteristics of Rental Units in the Pipeline - Under Construction and in Planning in accordance with Section G.
   - ☐ Yes

☐ No (Document):

7. Does the market study include an estimate of future demand for the specified forecast period of _____ months? (typically 36 to 48 months)
   ☐ Yes
   ☐ No (Document)
8. Is the estimate of demand (#7 above) and the study supporting that estimate consistent with the guidelines contained within Section I?
   ☐ Yes
   ☐ No (Document)

9. For Age Restricted Projects - Were the technical and analytical methods used in the market study and all subsequent findings and conclusions consistent with the assumptions contained in Section F
   ☐ Yes
   ☐ No (Document):
   ☐ N/A

10. For Income Restricted Projects - Does the market study comply with the guidance contained in Section K and USPAP Advisory Opinion 14?
    ☐ Yes
    ☐ No (Document):
    ☐ N/A

11. Are the conclusions presented in the Market Study consistent with the facts presented; with the findings and recommendations based on a reasonable forecast of market supply/demand conditions and sound assumptions regarding capture rates, absorption, achievable rents, income affordability and similar factors?
    ☐ Yes
    ☐ No (Document):

12. Does Market Analysis assure that there is enough sustainable demand for additional units at the proposed rents without adversely impacting the existing supply of both HUD-insured and non HUD –insured projects?

C. Review of the Appraiser's Analysis of the Current Market for the Subject:

1. Is the Market Area specifically defined and characterized?
   - ☐ Yes
   - ☐ No (Document):

2. Is there adequate discussion of Current Market Conditions including projects under construction and in planning?
   - ☐ Yes
   - ☐ No (Document):

3. (For Age Restricted Projects). Has this sub-market been adequately defined and characterized?
   - ☐ Yes
   - ☐ No (Document):
   - ☐ N/A

4. Are the conclusions presented in the Appraiser's Market Analysis consistent with the facts presented; with the findings and recommendations based on a reasonable forecast of market supply/demand conditions and sound assumptions regarding capture rates, absorption, achievable rents, income affordability and similar factors?
   - ☐ Yes
   - ☐ No (Document):

5. Does Market Analysis assure that there is enough sustainable demand for the long term use of the property as an apartment project?
   - ☐ Yes
   - ☐ No (Document):

D. HUD-92273 analysis:

1. One HUD-92273 analysis was completed by the Lender's appraiser for each unit breakdown?
   - ☐ Yes
   - ☐ No (Document)

2. A minimum of three appropriate and competitive comparables were used in each of the HUD-92273 analysis?
   - ☐ Yes

☐ No (Document)

3 All amenities were identified and properly adjusted in the analysis?
☐ Yes
☐ No (Document)

4. Narrative explanations were given for amenity adjustments?
☐ Yes
☐ No

5. The HUD-92273 analysis completed by the Lender's appraiser conforms to the instructions listed in the MAP Guidebook?
☐ Yes (Document)
☐ No (Document)

E. HUD-92274 analysis:

1. A minimum of three market comparables were used in the HUD-92274 analysis?
☐ Yes
☐ No (Document)

2. The MAP Lender's appraiser used a HUD Insured project as an expense comparable?
☐ Yes
☐ No (Document)

3. The HUD Insured Project data was confirmed by the FASS or OPIIS System? (see MAP Guide 7.8.E.4)
☐ Yes
☐ No (Document)

4. The HUD-92274 analysis conforms to the instructions as stated in the MAP Guidebook?
☐ Yes (Document)
☐ No (Document)

F. The narrative explanation supporting the _____ % occupancy percentage estimated from the market for the project is:
☐ Acceptable
☐ Unacceptable (Document)

G. Pre-application Environmental Processing. The project's site is found acceptable, having no environmental or legal issues according to standards listed in the MAP Guidebook?

☐ Yes
☐ No (Document):

H. Other Technical Requirements:

1. The appraiser(s) and market analyst(s) employed by the lender met the qualifications and licensure requirements in accordance with Section 7.3 of the MAP Guide.
   ☐ Yes
   ☐ No (Document):

2. The appraiser complied with the Department's inspection requirements according to Section 7.6 of the MAP Guide.
   ☐ Yes
   ☐ No (Document):

I. Conclusions. From a review of appraisal/consulting exhibits the following conclusions are made:

1. The report reviewed supports the proposed rents and estimated rental income in compliance with the requirements found in Section 7.7 of the Guide: (Attach the rent schedule to this report.)
   ☐ Acceptable
   ☐ Unacceptable (Document)

2. The report reviewed supports the proposed total operating expenses in compliance with the requirements found in Section 7.8 of the Guide: (Attach the schedule of expenses to this report)
   $_____/unit Expense Ratio _____ % (of effective gross income)
   ☐ Acceptable
   ☐ Unacceptable (Document)

3. The report reviewed supports the Warranted Price of the Land of $_____ or the As Is Value of $ _____, as applicable, as noted on the lender's HUD-92264, in compliance with the requirements of Section 7.9 of the Guide.
   ☐ Yes
   ☐ No (Document)

4. For Section 220, 221(d)(3) or 221(d)(4) and 231 Substantial Rehabilitation, the "As Is" Value determination reconciled the values from these applicable approaches:
   Value by Cost Approach: _____
   Value By Sales Comparison Approach: _____
   Value by Income Approach: _____ Cap. % _____
   GIM or EGIM: _____

5. There has been an acceptable level of due diligence by the lender in the appraisal underwriting process as evidenced by the facts, analyses and conclusions presented in the underwriting summary and associated exhibits.

   ☐ Yes (Document)
   ☐ No (Document and prepare a referral to the Lender Quality Monitoring Division.)

Comments/Recommendations: (Attach additional pages as necessary.)

Review Appraiser's Certification:

I certify that, to the best of my knowledge and belief: The facts and data reported by the reviewer and used in the review process are true and correct.

1. The analysis, opinions, and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

2. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.

3. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

4. My engagement in this assignment was not contingent upon developing or reporting predetermined results.

5. My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in this review or from its use.

6. My analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice.

7. I did personally inspect the subject property of the work under review.

8. The following persons provided significant real, business, or personal property appraisal, appraisal review or consulting assistance to the person signing this certification:

HUD Appraiser's Signature_____Date_____
License Number/State_____
Team Leader: ____ **Concurrence** ____ **Non-concurrence**
Team Leader's Signature/Date_____Date_____
Reasons for Non-Concurrence: (Attach additional pages as necessary.)

7B. HUD Appraiser Review - HUD Valuation Report - Technical Review of Multifamily Accelerated Processing – Firm Commitment Section 220, 221(d)(4) and 231

This review of appraisal/consulting work product is to be completed in accordance with Standard 3 of the Uniform Standards of Professional Appraisal Practice (USPAP) currently in effect. The reviewer's client and intended user is the U. S. Department of Housing and Urban Development. The purpose of the review is to ascertain if the appraisal/consulting work product under review meets the applicable requirements of the USPAP and HUD, and that the work product has well-supported conclusions that can be used in making a recommendation to issue, or not issue a Firm Commitment for HUD mortgage insurance. The format in this Appendix may be modified by the HUD Review Appraiser to reflect their scope of work on any particular transaction so long as their signature and license number are included and their report is compliant with USPAP.

HUD Multifamily Hub: _____
Team Leader: _____
Reviewer: _____
Date Received for Review: _____ Pre-application _____ Firm
Date of Pre-application Reviewer Site Visit: _____
Pre-application Review Report Completion Date:_____
Firm Review Report Completion Date: _____
SOA: _____ 220 _____ 221(d)(4) _____ 231
Activity (check all that apply): ____ New Construction ____ Sub-rehab ____ Acquisition ____ Refinance
Project Name: _____
Case #: _____
Mortgagee: _____
Mortgagor: _____
Appraiser: _____
Market Analyst:_____
Date of Appraisal under Review: _____
Property and Ownership Interest Appraised: _____
Effective Date of Review: _____

A. Standard 3 Compliance:

1. The Reviewer was able to adequately identify the property that is the subject of this review.
   - ☐ Yes
   - ☐ No (Document)

2. If applicable, the Reviewer has re- inspected the exterior of the subject and the following units (if applicable, list)
   - ☐ Yes
   - ☐ No (Document)
   - ☐ Not Applicable

3. If applicable, the Reviewer has re-inspected the exterior of all of the original comparables and/or inspected any new comparables (rental and expense).
   - ☐ Yes
   - ☐ No (Document)
   - ☐ Not Applicable

4. Indicate Resources and Data utilized to research and verify information in the report under review:

5. Describe the analyses employed and any additional work required to complete the review:

6. Describe any extraordinary assumptions that were necessary to complete the review:

7. Is the appraisal/consulting work product under review complete, within the context of the requirements applicable to the assignment?
   - ☐ Yes
   - ☐ No (Document):

8. Is the data used in the development of the appraisal/consulting work product under review adequate and relevant to the assignment?
   - ☐ Yes
   - ☐ No (Document):

9. Are the adjustments made to the data presented, appropriate and supported?
   - ☐ Yes
   - ☐ No (Document):

10. Are the methods and techniques employed by the appraiser relevant to the assignment and consistent with the appraiser's stated Scope of Work?
    - ☐ Yes
    - ☐ No (Document):

11. Are the appraiser's analyses, opinions and conclusions appropriate and reasonable
    - ☐ Yes
    - ☐ No (Document):

B. Review of additional Market Study submissions since Pre-application: (Refer to Section 7.5 of the MAP Guide)

1. Was there any new information submitted to update the Market Study that was reviewed at Pre-application?
   - ☐ Yes
   - ☐ No

2. Is the new information consistent with the facts presented; with the findings and recommendations based on a reasonable forecast of market supply/demand conditions and sound assumptions regarding capture rates, absorption, achievable rents, income affordability and similar factors? (Section H)
   - ☐ Yes
   - ☐ No (Document)
   - ☐ Not Applicable

3. Does the updated Market Analysis assure that there is enough sustainable demand for additional units at the proposed rents without adversely impacting the existing supply of both HUD-insured and non HUD-insured projects?
   - ☐ Yes
   - ☐ No (Document)
   - ☐ Not Applicable

C. Review of the Appraiser's Analysis of the Current Market for the Subject:
Use this section to comment on any changes since Pre-application.

D. HUD-92273 analysis, if different from Pre-application

1. One HUD-92273 analysis was completed by the Lender's appraiser for each unit breakdown, a minimum of three appropriate and competitive comparables were used in each of the HUD-92273 analysis and analysis completed by the Lender's appraiser conforms to the instructions listed in the MAP Guidebook?
   - ☐ Yes
   - ☐ No (Document)
   - ☐ Not Applicable
2. All amenities were identified and properly adjusted in the analysis?
   - ☐ Yes
   - ☐ No (Document)
   - ☐ Not Applicable

3. Narrative explanations were given for amenity adjustments?
   - ☐ Yes
   - ☐ No (Document)
   - ☐ Not Applicable

E. **HUD-92274 analysis, if different from Pre-application**:

1. A minimum of three market comparables were used in the HUD-92274 analysis, and the analysis conforms to the instructions as stated in the MAP Guidebook.?
   - ☐ Yes
   - ☐ No (Document)
   - ☐ Not Applicable

2. The MAP Lender's appraiser used a HUD Insured project as an expense comparable?
   - ☐ Yes
   - ☐ No (Document)
   - ☐ Not Applicable
3. The HUD Insured Project data was confirmed by the FASS or OPIIS System? (see MAP Guide 7.8.E.4)
   - ☐ Yes
   - ☐ No (Document)
   - ☐ Not Applicable

4. The narrative explanation supporting the _____ % occupancy percentage estimated from the market for the project is:
   - ☐ Acceptable
   - ☐ Unacceptable (Document)

F. Environmental Processing:

1. The lender's Phase I Environmental Report, Phase II Report, if applicable, and any additional studies, as noted below, have been reviewed and are consistent with the conclusions contained on the completed HUD-4128.
   - ☐ Yes
   - ☐ No (Document)

2. The subject meets the Department's Environmental requirements in accordance with Chapter 9 of the MAP Guide:
   - ☐ Yes
   - ☐ No (Document):

3. All third party environmental reports identify the U.S. Department of Housing and Urban Development as an authorized user of the report:
   - ☐ Yes
   - ☐ No (Document):

G. HUD-92264 Analysis:

1. A HUD-92264 was properly completed and signed by the underwriter.
   - ☐ Yes
   - ☐ No (Document):
2. The analyses and conclusions contained in the HUD-92264 are consistent with the narrative report and all other supporting forms and documents
   - ☐ Yes
   - ☐ No (Document):

H. Other Technical Requirements:

1. The appraiser(s) and market analyst(s) employed by the lender met the qualifications and licensure requirements in accordance with Section 7.3 of the MAP Guide.
   ☐ Yes
   ☐ No (Document):

2. The appraiser complied with the Department's inspection requirements according to Section 7.6. of the MAP Guide.
   ☐ Yes
   ☐ No (Document):

3. A HUD-92264-T, as appropriate, is completed (if required), according to Section 7.17 of the MAP Guide
   ☐ N/A
   ☐ Yes
   ☐ No (Document):

4. For Subjects that have LIHTCs or Section 8 project based subsidies; the appraiser has not attributed any benefit for the LIHTC award or Section 8 subsidies in the estimate of Warranted Price of Land in new construction or the As Is value in substantial rehabilitation cases. (A "Yes" response means that no benefit was attributed.)
   ☐ N/A
   ☐ Yes
   ☐ No (Document):

5. The Operating Deficit estimate of $ _____ covering a period of _____ months as entered on the lender's HUD-92264 form was properly calculated in accordance with the requirements in Section 7.14 of the Guide. (Note: If an Operating Deficit Escrow is not being required, there must be adequate documentation to support that the escrow is not needed.)
   ☐ Yes
   ☐ No (Document):
   ☐ Not Required (Document):

6. The lender's HUD-92264-A shows that there is a Tax Abatement that increases the Net Operating Income by $ _____. This amount has been properly calculated according to the requirements in Section 7.16 of the Guide.

   ☐ N/A
   ☐ Yes
   ☐ No (Document):

7. The market analysis portion of the self-contained appraisal complies with the relevant guidance contained in Section 7.6.A.17 of the Guide.
   ☐ Yes
   ☐ No (Document):

I. Conclusions. From a review of appraisal/consulting exhibits the following conclusions are made:

1. The report reviewed supports the proposed rents and estimated rental income in compliance with the requirements found in Section 7.7 of the Guide: (Attach the rent schedule to this report.)
   ☐ Yes
   ☐ No (Document)

2. The report reviewed supports the proposed total operating expenses in compliance with the requirements found in Section 7.8 of the Guide: (Attach the schedule of expenses to this report)
   $_____/unit Expense Ratio _____ % (of effective gross)
   ☐ Yes
   ☐ No (Document)

3. The resulting Net Operating Income is: $ _____.

4. The report reviewed supports the Warranted Price of the Land of $_____ or the As Is Value of $ _____, as applicable, as noted on the lender's HUD-92264, in compliance with the requirements of Sections 7.9 and 7.13 of the Guide.
   ☐ Yes
   ☐ No (Document)

5. For Section 220, or 221(d)(4) Substantial Rehabilitation, the As Is Value determination reconciled the values from these applicable approaches:

   Value by Cost Approach: _____
   Value By Sales Comparison Approach: _____

   Value by Income Approach: _____ Cap. % _____
   GIM or EGIM: _____

6. The Total Replacement Cost of the project as shown in Section G on the lender's

   HUD-92264 is $_____. Section G has been properly completed and is consistent with the lender submitted replacement cost by formula.
   ☐ Yes
   ☐ No (Document)

7. The report reviewed contains thorough documentation supporting the Remaining Economic Life Estimate of _____ years, in accordance with the requirements of Section 7.4. of the MAP Guide.
   ☐ Yes
   ☐ No (Document)

8. The Trial HUD-92264-A submitted by the lender was properly completed and indicates a

   Criterion # _____ limited mortgage of $ _____.

   ☐ Yes
   ☐ No (Document)

9. For Substantial Rehabilitation of Section 231**,** the report reviewed indicates an

   As Is Value of $ _____, reconciled from the values of these applicable approaches;

   Value by Cost Approach: _____
   Value By Sales Comparison Approach: _____
   Value by Income Approach: _____ Cap. % _____,

GIM or EGIM _____ and the **Value After Rehabilitation of** $ _____,
reconciled from the values of these applicable approaches;
Value by Cost Approach: _____
Value By Sales Comparison Approach: _____
Value by Income Approach: _____ Cap. % _____,
GIM or EGIM _____as noted on the lender's HUD-92264.
If applicable, a Residual "as is" Value by formula was completed yielding an "as is" value of $ _____.
The Total Replacement Cost of the Project (Section G, Line 74 of the form HUD 92264) is: $ _____.

10. The reconciliation provides an adequate discussion relating to the quality and quantity of the information presented in the applicable approaches to value and the final value estimated is credible and can be relied upon to make underwriting decisions:
    ☐ Yes
    ☐ No (Document)

11. There has been an acceptable level of due diligence by the lender in the appraisal underwriting process as evidenced by the facts, analyses and conclusions presented in the underwriting summary and associated exhibits.

    ☐ Yes (Document)
    ☐ No (Document and prepare a referral to the Lender Quality Monitoring Division.)

Comments/Recommendations: (Attach additional pages as necessary.)

Review Appraiser's Certification:

I certify that, to the best of my knowledge and belief:

1. The facts and data reported by the reviewer and used in the review process are true and correct.
2. The analysis, opinions, and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in this review or from its use.
7. My analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
8. I did personally inspect the subject property of the work under review.
9. The following persons provided significant real, business, or personal property appraisal, appraisal review or consulting assistance to the person signing this certification:

HUD Appraiser's Signature_____Date_____
License Number/State_____
Team Leader: ____ **Concurrence** ____ **Non-concurrence**:
Team Leader's Signature/Date_____Date_____
Reasons for Non-concurrence: (Attach additional pages as necessary)

7C. HUD Appraiser Review - HUD Valuation Report - Technical Review of Multifamily Accelerated Processing – Direct to Firm Commitment Section 220, 221(d)(4) and 231

This review of appraisal/consulting work product is to be completed in accordance with Standard 3 of the Uniform Standards of Professional Appraisal Practice (USPAP) currently in effect. The reviewer's client and intended user is the U. S. Department of Housing and Urban Development. The purpose of the review is to ascertain if the appraisal/consulting work product under review meets the applicable requirements of the USPAP and HUD, and that the work product has well-supported conclusions that can be used in making a recommendation to issue, or not issue a Firm Commitment for HUD mortgage insurance. The format in this Appendix may be modified by the HUD Review Appraiser to reflect their scope of work on any particular transaction so long as their signature and license number are included and their report is compliant with USPAP.

HUD Multifamily Hub: _____
Team Leader: _____
Reviewer: _____
Date Received for Review: _____
Date of Reviewer Site Visit: _____
Review Report Completion Date: _____
SOA: _____ 220 _____ 221(d)(4) _____ 231
Activity: (check all that apply) ____ New Construction ____ Sub-rehab ____ Acquisition ____ Refinance
Project Name: _____
Case #: _____
Mortgagee: _____
Mortgagor: _____
Appraiser: _____
Market Analyst: _____
Date of Appraisal under Review: _____
Property and Ownership Interest Appraised: _____
Effective Date of Review: _____

A. Standard 3 Compliance:

1. The Reviewer was able to adequately identify the property that is the subject of this review.
   - ☐ Yes
   - ☐ No (Document)

2. The Reviewer inspected the exterior of the subject and the following units (if applicable, list)
   ☐ Yes
   ☐ No (Document)

3. The Reviewer inspected the exterior of all of the comparables (rental and expense).
   ☐ Yes
   ☐ No (Document):

4. Indicate Resources and Data utilized to research and verify information in the report under review:

6. Describe the analyses employed and any additional work required to complete the review:

7. Describe any extraordinary assumptions that were necessary to complete the review:

8. Is the appraisal/consulting work product under review complete, within the context of the requirements applicable to the assignment?
   ☐ Yes
   ☐ No (Document):

9. Is the data used in the development of the appraisal/consulting work product under review adequate and relevant to the assignment?
   ☐ Yes
   ☐ No (Document):

10. Are the adjustments made to the data presented, appropriate and supported?
    ☐ Yes
    ☐ No (Document):

11. Are the methods and techniques employed by the appraiser relevant to the assignment and consistent with the appraiser's stated Scope of Work?
    ☐ Yes
    ☐ No (Document):

12. Are the appraiser's analyses, opinions and conclusions appropriate and reasonable
    - ☐ Yes
    - ☐ No (Document):

B. Review of the Market Study: (Refer to Chapter 7.5 of the MAP Guide)

1. Does the Executive Summary comply with Section B.?
   - ☐ Yes
   - ☐ No (Document):

2. Is the description of the proposed project defined and characterized in compliance with Sections C?
   - ☐ Yes
   - ☐ No (Document):

3. Is the Housing Market Area (HMA) adequately defined in accordance with sections D?
   - ☐ Yes
   - ☐ No (Document):

4. Has the General Characteristics of the HMA been described in accordance with Section E?
   - ☐ Yes
   - ☐ No (Document):

5. Has the current market conditions been described in accordance with Section F.
   - ☐ Yes
   - ☐ No (Document):

6. Has there been an adequate discussion of Characteristics of Rental Units in the Pipeline - Under Construction and in Planning in accordance with Section G.
   - ☐ Yes
   - ☐ No (Document):

7. Does the market study include an estimate of future demand for the specified forecast period of _____ months? (typically 36 to 48 months)
   - ☐ Yes
   - ☐ No (Document)

8. Is the estimate of demand (#7 above) and the study supporting that estimate consistent with the guidelines contained within Section H?
   - ☐ Yes
   - ☐ No (Document)

9. For Age Restricted Projects - Were the technical and analytical methods used in the market study and all subsequent findings and conclusions consistent with the assumptions contained in Section I
   - ☐ Yes
   - ☐ No (Document):
   - ☐ N/A

10. For Income Restricted Projects - Does the market study comply with the guidance contained in Section J and USPAP Advisory Opinion 14?
    - ☐ Yes
    - ☐ No (Document):
    - ☐ N/A

11. Are the conclusions presented in the Market Study consistent with the facts presented; with the findings and recommendations based on a reasonable forecast of market supply/demand conditions and sound assumptions regarding capture rates, absorption, achievable rents, income affordability and similar factors?
    - ☐ Yes
    - ☐ No (Document):

12. Does Market Analysis assure that there is enough sustainable demand for additional units at the proposed rents without adversely impacting the existing supply of both HUD-insured and non HUD –insured projects?
    - ☐ Yes
    - ☐ No (Document):

C. Review of the Appraiser's Analysis of the Current Market for the Subject:

1. Is the Market Area specifically defined and characterized?
   - ☐ Yes
   - ☐ No (Document):

2. Is there adequate discussion of Current Market Conditions including projects under construction and in planning?
   - ☐ Yes
   - ☐ No (Document):

3. (For Age Restricted Projects). Has this sub-market been adequately defined and characterized?
   - ☐ Yes
   - ☐ No (Document):
   - ☐ N/A

4. Are the conclusions presented in the Appraiser's Market Analysis consistent with the facts presented; with the findings and recommendations based on a reasonable forecast of market supply/demand conditions and sound assumptions regarding capture rates, absorption, achievable rents, income affordability and similar factors?
   - ☐ Yes
   - ☐ No (Document):

5. Does Market Analysis assure that there is enough sustainable demand for the long term use of the property as an apartment project?
   - ☐ Yes
   - ☐ No (Document):

D. HUD-92273 analysis:

1. One HUD-92273 analyses was completed by the Lender's appraiser for each unit breakdown?
   - ☐ Yes
   - ☐ No (Document)
2. A minimum of three appropriate and competitive comparables were used in each of the HUD-92273 analysis?
   - ☐ Yes
   - ☐ No (Document)

3. All amenities were identified and properly adjusted in the analysis?
   - ☐ Yes
   - ☐ No (Document)

4. Narrative explanations were given for amenity adjustments?
   - ☐ Yes
   - ☐ No

5. The HUD-92273 analysis completed by the Lender's appraiser conforms to the instructions listed in the MAP Guidebook?
   - ☐ Yes (Document)
   - ☐ No (Document)

E. HUD-92274 Analysis:

1. A minimum of three market comparables were used in the HUD-92274 analysis?
   - ☐ Yes
   - ☐ No (Document)

2. The MAP Lender's appraiser used a HUD Insured project as an expense comparable?
   - ☐ Yes
   - ☐ No (Document)

3. The HUD Insured Project data was confirmed by the FASS or OPIS Systems? (see MAP Guide 7.7.)
   - ☐ Yes
   - ☐ No (Document)

4. The HUD-92274 analysis conforms to the instructions as stated in the MAP Guidebook?
   - ☐ Yes (Document)
   - ☐ No (Document)

5. The narrative explanation supporting the _____ % occupancy percentage estimated from the market for the project is:
   - ☐ Acceptable
   - ☐ Unacceptable (Document)

F. Environmental Processing:

1. The lender's Phase I Environmental Report, Phase II Report, if applicable, and any additional studies, as noted below, have been reviewed and are consistent with the conclusions contained on the completed HUD-4128.
   - ☐ Yes
   - ☐ No (Document)

2. The subject meets the Department's Environmental requirements in accordance with Chapter 9 of the MAP Guide:
   - ☐ Yes
   - ☐ No (Document):

3. All third party environmental reports identify the U.S. Department of Housing and Urban Development as an authorized user of the report:
   - ☐ Yes
   - ☐ No (Document):

G. HUD-92264 Analysis:

1. A HUD-92264 was properly completed and signed by the underwriter.
   - ☐ Yes
   - ☐ No (Document):

2. The analyses and conclusions contained in the HUD-92264 are consistent with the narrative report and all other supporting forms and documents.
   - ☐ Yes
   - ☐ No (Document):

H. Other Technical Requirements:

1. The appraiser(s) and market analyst(s) employed by the lender met the qualifications and licensure requirements in accordance with Section 7.3 of the MAP Guide.
   - ☐ Yes
   - ☐ No (Document):
2. The appraiser complied with the Department's inspection requirements according to Section 7.4.of the MAP Guide.
   - ☐ Yes
   - ☐ No (Document):

3. A HUD-92264-T, as appropriate, were completed (if required) according to Chapter 7 of the Guide and HN 92-97.
   - ☐ N/A
   - ☐ Yes
   - ☐ No (Document):

4. For Subjects that have LIHTC's or Section 8 project based subsidies; the appraiser has not attributed any benefit for the LIHTC award or Section 8 subsidies in the estimate of Warranted Price of Land in new construction or the As Is value in substantial rehabilitation cases. (A "Yes" response means that no benefit was attributed.)
   - ☐ N/A
   - ☐ Yes
   - ☐ No (Document):

5. The Operating Deficit estimate of $ _____ covering a period of _____ months as entered on the lender's HUD-92264 form was properly calculated in accordance with the requirements in Section 7.14 of the Guide. (Note: If an Operating Deficit Escrow is not being required, there must be adequate documentation to support that the escrow is not needed.)
   - ☐ Yes
   - ☐ No (Document):
   - ☐ Not Required (Document):

6. The lender's HUD-92264-A shows that there is a Tax Abatement that increases the Net Operating Income by $ _____. This amount has been properly calculated according to the requirements in Section 7.17 of the Guide.

   - ☐ N/A
   - ☐ Yes
   - ☐ No (Document):

7. The market analysis portion of the self-contained appraisal complies with the relevant guidance contained in Section 7.6.A.17 of the Guide.
   - ☐ Yes
   - ☐ No (Document):

I. Conclusion. From a review of appraisal/consulting exhibits the following conclusions are made:

1. The report reviewed supports the proposed rents and estimated rental income in compliance with the requirements found in Section 7.6 of the Guide: (Attach the rent schedule to this report.)
   ☐ Yes
   ☐ No (Document)

2. The report reviewed supports the proposed total operating expenses in compliance with the requirements found in Section 7.7 of the Guide: (Attach the schedule of expenses to this report)
   $_____/unit Expense Ratio _____ % (of effective gross)
   ☐ Yes
   ☐ No (Document)

J. The resulting Net Operating Income is: $ _____.

K. The report reviewed supports the Warranted Price of the Land of $_____

or the As Is Value of $ _____, as applicable, as noted on the lender's HUD-92264, in compliance with the requirements of Section 7.8 of the Guide.
☐ Yes
☐ No (Document)

L. For Section 220, or 221(d)(4) Substantial Rehabilitation:

1. The As Is Value determination reconciled the values from these applicable approaches:
   Value by Cost Approach: _____
   Value By Sales Comparison Approach: _____
   Value by Income Approach: _____ Cap. % _____
   GIM or EGIM: _____

2. The Total Replacement Cost of the project as shown in Section G on the Lender's HUD-92264 is $_____. Section G has been properly completed and is consistent with the lender submitted replacement cost by formula.
   ☐ Yes
   ☐ No (Document)
3. The report reviewed contains thorough documentation supporting the Remaining Economic Life Estimate of _____ years, in accordance with the requirements of Section 7.4 of the Guide.
   ☐ Yes
   ☐ No (Document)

4. The Trial HUD-92264-A submitted by the lender was properly completed and indicates a Criterion # _____ limited mortgage of $ _____.

   ☐ Yes
   ☐ No (Document)

5. For a Substantial Rehabilitation of Section 231, the report reviewed indicates an **As Is Value of** $ _____, reconciled from the values of these applicable approaches;

   Value by Cost Approach: _____
   Value By Sales Comparison Approach: _____
   Value by Income Approach: _____ Cap. % _____,
   GIM or EGIM _____
   and the **Value After Rehabilitation of** $ _____, reconciled from the values of these applicable approaches;
   Value by Cost Approach: _____
   Value By Sales Comparison Approach: _____
   Value by Income Approach: _____ Cap. % _____,
   GIM or EGIM _____ as noted on the lender's HUD-92264.

   If applicable, a Residual "as is" Value by formula was completed yielding an "as is" value of $ _____.

   The Total Replacement Cost of the Project (Section G, Line 74 of the form HUD 92264) is: $ _____.

6. The reconciliation provides an adequate discussion relating to the quality and quantity of the information presented in the applicable approaches to value and the final value estimated is credible and can be relied upon to make underwriting decisions:
   ☐ Yes
   ☐ No (Document)

7. There has been an acceptable level of due diligence by the lender in the appraisal underwriting process as evidenced by the facts, analyses and conclusions presented in the underwriting summary and associated exhibits.

   ☐ Yes (Document)
   ☐ No (Document and prepare a referral to the Lender Quality Monitoring Division.)

Comments/Recommendations: (Attach additional pages as necessary.)

Review Appraiser's Certification:

I certify that, to the best of my knowledge and belief:

1. The facts and data reported by the reviewer and used in the review process are true and correct.
2. The analysis, opinions, and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in this review or from its use.
7. My analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
8. I did personally inspect the subject property of the work under review.
9. The following persons provided significant real, business, or personal property appraisal, appraisal review or consulting assistance to the person signing this certification:

HUD Appraiser's Signature_____Date_____
License Number/State_____
Team Leader: ____ **Concurrence** ____ **Non-concurrence**:
Team Leader's Signature/Date_____Date_____
Reasons for Non-concurrence: (Attach additional pages as necessary)

7D. HUD Appraiser Review - HUD Valuation Report - Technical Review of Multifamily Accelerated Processing – Firm Commitment Section 223(f)

This review of appraisal/consulting work product is to be completed in accordance with Standard 3 of the Uniform Standards of Professional Appraisal Practice (USPAP) currently in effect. The reviewer's client and intended user is the U. S. Department of Housing and Urban Development. The purpose of the review is to ascertain if the appraisal/consulting work product under review meets the applicable requirements of the USPAP and HUD, and that the work product has well-supported conclusions that can be used in making a recommendation to issue, or not issue a Firm Commitment for HUD mortgage insurance. NOTE: If Applicable the HUD Review Appraiser will complete a review of the separate market study in format contained at the end of this Appendix. The format in this Appendix may be modified by the HUD Review Appraiser to reflect their scope of work on any particular transaction so long as their signature and license number are included and their report is compliant with USPAP.

HUD Multifamily Hub: _____
Team Leader: _____
Reviewer: _____
Date Received for Review: _____
Date of Reviewer Site Visit: _____
Review Report Completion Date: _____
Activity: (check all that apply) _____ Acquisition _____ Refinance
Project Name: _____
Case #: _____
Mortgagee: _____
Mortgagor: _____
Appraiser: _____
Date of Appraisal under Review: _____
Ownership Interest Appraised: _____
Effective Date of Review: _____

A. Standard 3 Compliance:

1. The Reviewer was able to adequately identify the property that is the subject of this review.
   ☐ Yes
   ☐ No (Document)

2. The Reviewer inspected the exterior of the subject and the following units (if applicable, list)
   ☐ Yes
   ☐ No (Document)

3. The Reviewer inspected the exterior of all of the comparables (rental and expense).
   ☐ Yes
   ☐ No (Document):

4 Indicate Resources and Data utilized to research and verify information in the report under review:

5. Describe the analyses employed and any additional work required to complete the review:

6. Describe any extraordinary assumptions that were necessary to complete the review:

7. Is the appraisal/consulting work product under review complete, within the context of the requirements applicable to the assignment?
   ☐ Yes
   ☐ No (Document):

8. Is the data used in the development of the appraisal/consulting work product under review adequate and relevant to the assignment?
   ☐ Yes
   ☐ No (Document):

9. Are the adjustments made to the data presented, appropriate and supported?
   ☐ Yes
   ☐ No (Document):

10. Are the methods and techniques employed by the appraiser relevant to the assignment and consistent with the appraiser's stated Scope of Work?
    ☐ Yes
    ☐ No (Document):

11. Are the appraiser's analyses, opinions and conclusions appropriate and reasonable
    - ☐ Yes
    - ☐ No (Document):

B. Review of the Appraiser's Analysis of the Current Market for the Subject:

1. Is the Market Area specifically defined and characterized?
   - ☐ Yes
   - ☐ No (Document):

2. Is there adequate discussion of Current Market Conditions including projects under construction and in planning?
   - ☐ Yes
   - ☐ No (Document):

3 (For Age Restricted Projects). Has this sub-market been adequately defined and characterized?
   - ☐ Yes
   - ☐ No (Document):
   - ☐ N/A

4. Are the conclusions presented in the Appraiser's Market Analysis consistent with the facts presented; with the findings and recommendations based on a reasonable forecast of market supply/demand conditions and sound assumptions regarding capture rates, absorption, achievable rents, income affordability and similar factors?
   - ☐ Yes
   - ☐ No (Document):

5. Does Market Analysis assure that there is enough sustainable demand for the long term use of the property as an apartment project?
   - ☐ Yes
   - ☐ No (Document):

C. HUD-92273 analysis:

1. One HUD-92273 analysis was completed by the Lender's appraiser for each unit breakdown?
   - ☐ Yes
   - ☐ No (Document)

2. A minimum of three appropriate and competitive comparables were used in each of the HUD-92273 analysis?
   - ☐ Yes
   - ☐ No (Document)
3. All amenities were identified and properly adjusted in the analysis?
   - ☐ Yes
   - ☐ No (Document)

4. Narrative explanations were given for amenity adjustments?
   - ☐ Yes
   - ☐ No

5. The HUD-92273 analysis completed by the Lender's appraiser conforms to the instructions listed in the MAP Guidebook?
   - ☐ Yes (Document)
   - ☐ No (Document)

D. HUD-92274 analysis:

1. A minimum of three market comparables were used in the HUD-92274 analysis?
   - ☐ Yes
   - ☐ No (Document)

2. The MAP Lender's appraiser used a HUD Insured project as an expense comparable?
   - ☐ Yes
   - ☐ No (Document)

3. The HUD Insured Project data was confirmed by the FASS System? (see MAP Guide Chapter7)
   - ☐ Yes
   - ☐ No (Document)

4. The HUD-92274 analysis conforms to the instructions as stated in the MAP Guidebook?
   - ☐ Yes (Document)
   - ☐ No (Document)

5. The narrative explanation supporting the _____ % occupancy percentage estimated from the market for the project is:
   - ☐ Acceptable
   - ☐ Unacceptable (Document)

E. Environmental Processing:

1. The lender's Phase I Environmental Report, Phase II Report, if applicable, and any additional studies, as noted below, have been reviewed and are consistent with the conclusions contained on the completed HUD-4128.
   - ☐ Yes
   - ☐ No (Document)

2. The subject meets the Department's Environmental requirements in accordance with Chapter 9 of the MAP Guide:
   - ☐ Yes
   - ☐ No (Document):

3. All third party environmental reports identify the U.S. Department of Housing and Urban Development as an authorized user of the report:
   - ☐ Yes
   - ☐ No (Document):

F. HUD-92264 Analysis:

1 A HUD-92264 was properly completed and signed by the underwriter.
   - ☐ Yes
   - ☐ No (Document):

2. The analyses and conclusions contained in the HUD-92264 are consistent with the narrative report and all other supporting forms and documents
   - ☐ Yes
   - ☐ No (Document):

G. Other Technical Requirements:

1. The appraiser(s) and market analyst(s) employed by the lender met the qualifications and licensure requirements in accordance with Section 7.3 of the MAP Guide.
   - ☐ Yes
   - ☐ No (Document):
2. The appraiser complied with the Department's inspection requirements according to Section 7.4. of the MAP Guide.
   - ☐ Yes
   - ☐ No (Document):
3. A HUD-92264-T and Subsidy Layering Review, as appropriate, were completed as required according to Chapter 7 and HN 92-97.
   - ☐ N/A
   - ☐ Yes
   - ☐ No (Document):
4. For Subjects that have LIHTCs or Section 8 project based subsidies; the appraiser has not attributed any benefit for the LIHTC award or Section 8 subsidies in the estimate of Warranted Price of Land in new construction or the As Is value in substantial rehabilitation cases. (A "Yes" response means that no benefit was attributed.)
   - ☐ N/A
   - ☐ Yes
   - ☐ No (Document):
5. The Operating Deficit estimate of $ _____ covering a period of _____ months as entered on the lender's HUD-92264 form was properly calculated in accordance with the requirements in Section 7.14 of the Guide. (Note: If an Operating Deficit Escrow is not being required, there must be adequate documentation to support that the escrow is not needed.)
   - ☐ Yes
   - ☐ No (Document):
   - ☐ Not Required (Document):

6. The lender's HUD-92264-A shows that there is a Tax Abatement that increases the Net Operating Income by $ _____. This amount has been properly calculated according to the requirements in Section 7.17 of the Guide.

   ☐ N/A
   ☐ Yes
   ☐ No (Document):

7. The market analysis portion of the self-contained appraisal complies with the relevant guidance contained in Section 7.6.A.17 of the Guide.
   ☐ Yes
   ☐ No (Document):

H. From a review of appraisal/consulting exhibits the following conclusions are made:

1. The report reviewed supports the proposed rents and estimated rental income in compliance with the requirements found in Section 7.6 of the Guide: (Attach the rent schedule to this report.)
   ☐ Yes
   ☐ No (Document)

2. The report reviewed supports the proposed total operating expenses in compliance with the requirements found in Sections 7.4 and 7.7 of the Guide: (Attach the schedule of expenses to this report)
   $_____/unit Expense Ratio _____ % (of effective gross)
   ☐ Yes
   ☐ No (Document)

3. The resulting Net Operating Income is: $ _____.

4. The report reviewed supports the Warranted Price of the Land of $_____or the As Is Value of $ _____, as applicable, as noted on the lender's HUD-92264, in compliance with the requirements of Section 7.8 of the Guide.
   ☐ Yes
   ☐ No (Document)

5. The Total Replacement Cost of the project as shown in Section G on the lenders HUD-92264 is $_____. Section G has been properly completed and is consistent with the lender submitted replacement cost by formula.
   - ☐ Yes
   - ☐ No (Document)

6. The reconciliation of the applicable approaches and final value determination for the subject is summarized as follows:
   Value by Cost Approach: _____
   Value By Sales Comparison Approach: _____
   Value by Income Approach:_____ Cap. % _____
   GIM or EGIM _____ Value Estimate: _____

7. The reconciliation provides an adequate discussion relating to the quality and quantity of the information presented in the applicable approaches to value and the final value estimated is credible and can be relied upon to make underwriting decisions:
   - ☐ Yes
   - ☐ No (Document)

8. The report reviewed contains thorough documentation supporting the Remaining Economic Life Estimate of _____ years, in accordance with the requirements of Section 7.4 of the Guide.
   - ☐ Yes
   - ☐ No (Document)

9. The Trial HUD-92264-A submitted by the lender was properly completed and indicates a Criterion # _____ limited mortgage of $ _____.
   - ☐ Yes
   - ☐ No (Document)

10. There has been an acceptable level of due diligence by the lender in the appraisal underwriting process as evidenced by the facts, analyses and conclusions presented in the underwriting summary and associated exhibits.
    - ☐ Yes (Document)
    - ☐ No (Document and prepare a referral to the Lender Qualification Monitoring Division.)

Comments/Recommendations: (Attach additional pages as necessary.)

Review Appraiser's Certification:

I certify that, to the best of my knowledge and belief:

1. The facts and data reported by the reviewer and used in the review process are true and correct.
2. The analysis, opinions, and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in this review or from its use.
7. My analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
8. I did personally inspect the subject property of the work under review.
9. The following persons provided significant real, business, or personal property appraisal, appraisal review or consulting assistance to the person signing this certification:

HUD Appraiser's Signature_____Date_____
License Number/State_____
Team Leader: ____ **Concurrence** ____ **Non-concurrence**:
Team Leader's Signature/Date_____Date_____

Reasons for Non-concurrence: (Attach additional pages as necessary)If Applicable the HUD Review Appraiser will complete the following review of the separate market study.

Review of the Market Study: (Refer to Chapter 7.5 of the MAP Guide) Does the Executive

1. Summary comply with Section B.?
   ☐ Yes
   ☐ No (Document):

2. Is the description of the proposed project defined and characterized in compliance with Sections C?
   ☐ Yes
   ☐ No (Document):

3. Is the PrimaryMarket Area (PMA) adequately defined in accordance with sections D?
   ☐ Yes
   ☐ No (Document):

4. Has the General Characteristics of the PMA been described in accordance with Section E?
   ☐ Yes
   ☐ No (Document):

5. Has the current market conditions been described in accordance with Section F.
   ☐ Yes
   ☐ No (Document):

6. Has there been an adequate discussion of Characteristics of Rental Units in the Pipeline - Under Construction and in Planning in accordance with Section G.
   ☐ Yes
   ☐ No (Document):

7. Does the market study include an estimate of future demand for the specified forecast period of _____ months? (typically 36 to 48 months)
   ☐ Yes
   ☐ No (Document)

8. Is the estimate of demand (#7 above) and the study supporting that estimate consistent with the guidelines contained within Section I?
   ☐ Yes
   ☐ No (Document)

9. For Age Restricted Projects - Were the technical and analytical methods used in the market study and all subsequent findings and conclusions consistent with the assumptions contained in Section F
   - ☐ Yes
   - ☐ No (Document):
   - ☐ N/A

10. For Income Restricted Projects - Does the market study comply with the guidance contained in Section K and USPAP Advisory Opinion 14?
    - ☐ Yes
    - ☐ No (Document):
    - ☐ N/A

11. Are the conclusions presented in the Market Study consistent with the facts presented; with the findings and recommendations based on a reasonable forecast of market supply/demand conditions and sound assumptions regarding capture rates, absorption, achievable rents, income affordability and similar factors?
    - ☐ Yes
    - ☐ No (Document):

12. Does Market Analysis assure that there is enough sustainable demand for additional units at the proposed rents without adversely impacting the existing supply of both HUD-insured and non HUD –insured projects?

7E. HUD Review Appraiser Scope of Work

SUBJECT: How the *Uniform Standards of Professional Appraisal Practice* (USPAP) Relates to HUD Multifamily Appraisals, MAP Lenders, MAP Appraisers and HUD Review Appraisers

Purpose

This memorandum provides direction to HUD Appraisers, Underwriters, and other production staff and managers reviewing applications for multifamily mortgage insurance. It addresses USPAP and appraisals completed for HUD-insured multifamily mortgage applications. The content will be included in a forthcoming revision to the MAP Guide. The Appraisal Foundation was consulted in the process of preparing this guidance.

USPAP Background

The purpose of USPAP is to promote and maintain a high level of public trust in appraisal practice by establishing requirements for appraisers. USPAP is published by the Appraisal Standards Board (ASB) of The Appraisal Foundation. It is revised every two years.

The Appraisal Foundation was formed by major appraisal professional associations in the 1980s as a result of the savings and loan crisis. It is authorized by Congress as the source of appraisal standards and appraiser qualifications. It is not a governmental body and has no enforcement authority.

The Foundation's activities are monitored and partially funded by a governmental agency known as the Appraisal Subcommittee-Federal Financial Institutions Examination Council, more commonly known as the ASC whose members include representatives of the Federal Reserve System, Office of the Comptroller of the Currency, Federal Housing Finance Agency, Consumer Financial Protection Bureau, Federal Deposit Insurance Corporation, and the National Credit Union Administration. HUD is also a member.

The ASC provides federal oversight of State appraiser regulatory programs and a monitoring framework for the Appraisal Foundation and the Federal Financial Institutions Regulatory Agencies in their roles to protect federal financial and public policy interests in real estate appraisals utilized in federally related transactions.[2] Enforcement of Appraisal Standards (i.e., USPAP) is accomplished by State Regulatory Agencies.

[2] Although it is possible that some HUD-insured mortgages may not technically be federally related, there is a statutory requirement for the Department to evaluate collateral using licensed or certified appraisers. This requirement can be met through the use of either licensed staff appraisers or third party appraisers.

Applicability of USPAP to HUD/FHA:

The Department has statutory authority (12 USC 1708(g)) to prescribe standards for the appraisal of all property to be insured by the Federal Housing Administration. Such appraisals shall be performed in accordance with generally accepted standards[3], by individuals who have demonstrated competence and whose professional conduct is subject to effective supervision. Under the MAP Program, HUD relies on the MAP Approved Lender to provide such supervision and their third party appraisal may be relied upon to meet the statutory requirement. Additionally, the Department requires a USPAP-Compliant appraisal review by a HUD staff appraiser for all high or medium risk transactions.

The HUD Review Appraiser is required to opine on the quality of the appraisal and its reliability for use in underwriting a HUD-insured mortgage. A concurrence with the value or the development of an alternate value is not necessarily required.

USPAP consists of five sections; Definitions, Preamble, Rules, Standards and Standards Rules, and Statements on Appraisal Standards. The ASB also publishes Advisory Opinions, which although are not a part of USPAP, provide illustrations of the applicability of Standards in specific situations and offer advice from the ASB for the resolution of specific appraisal issues and problems. Advisory Opinions 3, 14, and 16 are cited in the MAP Guide.

All of the Rules in USPAP apply to MAP Appraisers and HUD Review Appraisers. They consist of the Ethics Rule, Record Keeping Rule, Competency Rule, Scope of Work, and Jurisdictional Exception Rule.

Ethics Rule. This rule specifies the personal obligations and responsibilities of the individual appraiser as well as an appraiser employed by a group or organization. The Ethics Rule is divided into three sections: Conduct, Management, and Confidentiality. The Department has addressed the issue of confidentiality in Chapter 7.6.J of the MAP Guide. Management is addressed in certification that the review appraiser makes in completing a review assignment.

With respect to conduct, all employees are expected perform assignments with impartiality, objectivity, and independence, and without accommodation of personal interests.

Record Keeping Rule. This rule specifies record keeping procedures for appraisers. The rule does not mandate that an appraiser have possession of assignment work-files. The Department does not permit permanent or personal possession of records relating to a review appraiser's work. However, the Department retains these records for far more than the time required under USPAP and will, with due process of law, cooperate with appraiser regulatory agencies, professional peer review committees, and to assist obtaining a professional designation.

[3] Statue cites, "…in accordance with generally accepted appraisal standards, such as the appraisal standards promulgated by The Appraisal Foundation.

Competency Rule. This rule essentially states that an appraiser must be competent to perform the assignment, acquire the necessary competency to perform the assignment, or decline or withdraw from the assignment. In all cases, the appraiser must perform competently when completing the assignment. Competency also relates to familiarity with a given market.

Some assignments may raise concerns about the competency requirement. For example, a transaction with a large commercial space/income component, or a transaction in which a project that is far from the HUD review appraiser's geographic area. A number of our appraisers have extensive commercial experience and can be consulted.[4] The reviewer may be able to obtain sufficient market information from other HUD staff, and on-line HUD and/or commercial sources of data in order to complete their review. In some cases, a site visit and/or additional time might be needed to research an unfamiliar area.

The need to withdraw from an assignment should be rare and HUD review appraisers are expected to work with management in arranging for timely completion of review assignments.

Scope of Work Rule. Scope of Work is essentially problem solving guidance that includes property identification, extent of inspection, the type and extent of data researched, the kind of analysis needed to arrive at opinions or conclusions. The rule also states that appraisers have broad flexibility and significant responsibility in determining the appropriate scope of work for an appraisal or appraisal review assignment.

According to USPAP, appraisers, including HUD Review Appraisers are responsible for determining the scope of work. However as an employer who is also the client, the Department may issue guidance as to what is the extent of an assignment for a review appraisal. It is not a violation of USPAP for an appraiser to accept an assignment, in which a limited scope of work is appropriate, so long as the assignment and scope of work are clearly defined, produces credible results and is performed objectively without bias.

HUD Review Appraisers may have to expand the scope of work and do additional research in performing an assignment. The review appraiser should discuss such situations with management in order to determine whether additional work by HUD staff is appropriate, or if the application should be rejected or approved with conditions.

According to USPAP, if relevant information is not available because of assignment conditions that limit research opportunities (such as conditions that place limitations on inspection or information gathering), an appraiser must withdraw from the assignment unless the appraiser can still develop credible assignment results. For example, they may be able to modify the assignment conditions to expand the scope of work to

[4] There may be times when consulting other appraisers rises to the level of "significant appraisal review assistance" and the name of the person providing that assistance must be stated in the certification

include gathering the information, or use an extraordinary assumption[5] about such information.

Workload Sharing arrangements may require HUD Review Appraisers to perform reviews without the benefit of being able to do a physical inspection. The assignment will generally be completed with the review appraiser making certain assumptions, such as the condition to be consistent with the photographs and other reports.

HUD Review Appraisers may be required to provide consultation with Senior Underwriters and other staff who have been asked to review an appraisal. A Frequently Asked Questions grid included in this memorandum discusses tasks which can be accomplished, as well as the level of required USPAP compliance.

Jurisdictional Exception Rule. This rule provides a saving or severability clause intended to preserve the balance of USPAP if compliance with one or more of its parts is precluded by the law or regulation of a jurisdiction. When an appraiser properly follows this Rule in disregarding a part of USPAP, there is no violation of USPAP.

USPAP defines law as including constitutions, legislative and court-made law, administrative rules and ordinances. Regulations include rules or orders having legal force, issued by an administrative agency, such as HUD. This would include Handbooks, Notices, and the MAP Guide. Instructions from an attorney or a client do not establish a jurisdictional exception

The need to take a Jurisdictional Exception should be rare. If it is needed, the appraiser or review appraiser must specifically cite the regulation and the portion of USPAP that is affected. Verbal direction from management is not sufficient to justify an exception. The HUD Review Appraiser must cite a citation from the MAP Guide or other appropriate authority.

USPAP Standards

USPAP Standards that are the most applicable to HUD Multifamily are Standard 1- Real Property Appraisal Development, Standard 2- Real Property Appraisal Reporting, and Standard 3- Appraisal Review, Development, and Reporting.

Standard 1. "….. an appraiser must identify the problem to be solved, determine the scope of work necessary to solve the problem, and correctly complete research and analyses necessary to produce a credible appraisal."

[5] Extraordinary Assumption - an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

Standard 2. "…..In reporting the results of a real property appraisal, an appraiser must communicate each analysis, opinion, and conclusion in a manner that is not misleading." This standard also sets forth the required format for the appraiser to certify his/her work.

Standard 3. This standard addresses the substantive aspects of developing a credible opinion about the quality of another appraiser's work that was performed as part of an appraisal or appraisal review assignment.

This Standard also addresses the content and level of information required in a report that communicates the results of an appraisal review assignment. Standard 3 does not dictate the form, format, or style of Appraisal Review Reports. The substantive content of a report determines its compliance. Like Standard 1, Standard 3 requires the development of a work-file.

When a HUD Review Appraiser changes rents or adjust values, he/she is producing an appraisal and must develop a work-file that complies with Standard 1. Generally, the HUD Review Appraiser is expected to opine on the quality of the appraisal under review and determine whether or not it is suitable for use in underwriting a HUD-insured mortgage.

The Multifamily Hub Director has waiver authority to rely on the Lender's appraisal review without a HUD staff appraiser review. Exercise of such authority may be appropriate for low-risk transactions in which the application is complete and reliable. The appraisal report must be reviewed by a HUD staff member. The staff assigned to this task must have adequate training and must insure that the appraisal report under review is USPAP-compliant and also follows the requirements outlined in Chapter 7 of the MAP Guide.

Environmental Review Processing

The responsibility for environmental processing has typically been assigned to the HUD staff appraiser, though other appropriately trained HUD staff may also perform these reviews. Hubs and Program Centers are encouraged to cross train other employees to assist in or performing these functions. Federal regulations (24 CFR 50.11 and 50.32) require that a HUD approving official make an independent evaluation of the environmental issues, take responsibility for the scope and content of the compliance finding, EA or EIS, and make the environmental finding. This function cannot be delegated to a lender or the lender's or owner's consultants. The HUD staff appraiser or other environmental reviewer can and should be provided with information from the lender or the lender's consultant; however, the function must be performed by HUD staff.

When HUD staff appraisers are assigned this duty, it is not considered an appraisal assignment subject to USPAP requirements. In accordance with Chapter 9 of the MAP Guide, we expect the appraiser or other responsible staff to perform the environmental assessment under the National Environmental Protection Act (as required) and ensure compliance with related environmental laws and authorities, including the Wetlands/Floodplain Executive Orders, Endangered Species Act, National Historic Preservation Act , etc., to

review the Phase I Environmental Site Assessment and the narrative Environmental Report submitted by the Lender and obtain additional information as needed from other governmental or private sources, and to prepare the form HUD-4128 documenting the HUD review. The Hub/PC Director who issues the commitment is responsible for signing the HUD-4128. Chapter 9 requires that HUD staff must make a site visit.

If the staff member assigned to perform environmental processing finds that there is insufficient information to complete environmental processing, they should discuss the deficiencies with their supervisor. HUD may either obtain additional data from the MAP Lender, or the Review Appraiser or other appropriate staff may obtain the additional data, or HUD may determine the deficiency is not material. HUD Headquarters Technical Support staff or a HUD Field or Regional Environmental Officer should be consulted if there are questions about a specific transaction or situation. Should there be inconsistencies between the MAP Lender's third party appraisal, third party environmental consultant reports, and HUD's review (including HUD's appraisal review, or architecture and engineering review, and the form HUD 4128), the conflict should be documented and reconciled with the HUD environmental analyst's review.

Conclusion

HUD Review Appraiser assignments are to be completed in accordance with USPAP and in accordance with workload norms to support production. HUD Review Appraisers are responsible for advising management and documenting their findings and recommendations (including non-concurrences if applicable) as to the acceptability of MAP Lender third party appraisals and applications.

Attachment

ATTACHMENT: USPAP Level of Compliance for HUD Review Appraisers

HRA- HUD Review Appraiser HU- HUD Underwriter SHU- Senior (single point) HUD Underwriter MGN- Management
MA- MAP Lender's Third Party Appraiser MU – Map Lender's Underwriter

	Issue	Can Do?	Level of Compliance Required	Cert Rq.	Remarks
1.	HRA is asked to develop document libraries and lists in SharePoint to store and analyze local market data.	Yes	Ethics and Competency Rules	No	USPAP Compliance is required since this task was assigned to the HRA because he/she is an appraiser.
2.	HRA is asked to participate in a Concept Meeting to facilitate a discussion on the market in a given area. Discussion will include recent cap rates, occupancy and rents	Yes	Ethics and Competency Rules	No	USPAP Compliance is required since this task was assigned to the HRA because he/she is an appraiser. Standards are not applicable, since no appraisal or appraisal review is being completed
3.	HRA was asked to complete an Appraisal Review[6], See Subject and Comps. No value opinion[7] required.	Yes	Full compliance with all applicable rules and Standard 3	Yes	Was assigned the task as an appraiser. The HRA will only opine on the quality of the appraisal and it's suitability for use in underwriting a HUD-insured mortgage.
4.	HRA was asked to review a MAP Appraisal in a distant area not familiar to the HRA. No travel funds available. No inspection can be made.	Yes	Full compliance with all applicable rules, especially the Competency Rule[8] Standard 3	Yes	Was assigned the task as an appraiser. Level of inspection or lack of inspection must be disclosed. If necessary an extraordinary assumption can be taken. The HRA will only opine on the quality of the appraisal and it's suitability for use in underwriting a HUD-insured mortgage.
5.	Same as #4, but HRA is now being asked to CONCUR with the MA value.	Yes	Full compliance with all applicable rules, especially the Competency Rule Standards 1 and 3	Yes	CONCURRENCE with or DIFFERS from the MA's value is a still a Value Opinion made by the HRA.
6.	HRA is requested to review a Rental Comparability Study (RCS)	Yes	Full compliance with all applicable rules and Standard 3	Yes	The HRA will only opine on the quality of the RCS
7.	MGN wants a HRA to correct a faulty RCS from a distant office.	Yes	Full compliance with all applicable rules, especially the Competency Rule Standards 1, 2 and 3	Yes	Standard 2 (Appraisal Reporting) will likely apply.

[6] Appraisal Review the act or process of developing and communicating an opinion about the quality of another appraiser's work that was performed as part of an appraisal or appraisal review assignment.
[7] A Value Opinion happens when the Review Appraiser concurs with the opinions and conclusions in the work under review; or differs from the opinion and conclusions in the work under review.
[8] In an assignment where geographic competency is necessary, an appraiser who is not familiar with the relevant market characteristics must acquire an understanding necessary to produce credible assignment results for the specific property type and market involved.

8.	HRA is assigned a review and suggests correction of some math errors that may change the value conclusion.	Yes	Full compliance with all applicable rules and Standard 3	Yes	So long as HRA does represent the change in value as his own opinion the assignment is strictly an appraisal review.
9.	HRA is asked to inspect the subject and complete the environmental processing and the HUD 4128.	Yes	N/A	N/A	This is not an appraisal assignment, nor does it constitute appraisal practice.
10.	HRA required is to act as an SHU. MGN is waiving the need for the appraisal to be reviewed by HUD staff, relying instead on the lenders' third party appraisal and their underwriting.	No	N/A	N/A	Part of the underwriting process requires a review of the MU's discussion of the appraisal completed by the MA. This cannot be assessed without also reviewing portions of the appraisal.
11..	HRA required is to act as an SHU. An appraisal review was completed by another HUD staff member who is not an appraiser.	No	HRA Will still need to comply with USPAP	N/A	This would be duplicative.
12.	SHU asks HRA for help in completing the NLC template. HRA did not review the appraisal.	Yes	Rules and Standards may or may not apply	Possib ly	If any appraisal review analysis is required, it could trigger a certain level of USPAP compliance.
13.	HUD staff member asks HRA for help in getting data necessary for an appraisal review.	Yes	N/A	No	HRA might want to train others on how to get the data.
14.	SHU is concerned about Cap Rate development in an appraisal that he is reviewing and asks HRA to take a look at it.	Yes	Applicable rules apply	No	Competency and ethics rules kick in since the HRA is representing his/herself as an appraiser and the SHU is clearly asking the HRA since he/she is an appraiser. HRA's comments should be limited to discussing whether or not the Cap Rate development methodology was appropriate
15.	MAP Appraiser contends that placing a limit on the Commercial Occupancy rate will result in a value conclusion that is not market and wants to use Jurisdictional Exception.	Yes	N/A	N/A	Having the commercial occupancy rate limit considered in the appraisal is an administrative rule. However, it could be discussed within the value definition of the report. Market value could still be reported and then a hypothetical condition can be stated based on the rate limit.
16.	MGN wants the HRA to give her a "preliminary appraisal" on a proposed refinance based solely on historic financial data. When the HRA balks, the MGN tells him to do it anyway and take a Jurisdictional Exception.	No	N/A	N/A	USPAP defines as rules or orders having legal force, issued by an administrative agency. Instructions from a client or attorney do not establish a jurisdictional exception. The MGN cannot make rules with an oral or written order.

End of Attachment.

Appendix 8
Mortgage Credit Underwriting and Processing Requirements

A. Individual Financial Statement, Supporting Schedules, REO Mortgage Debt Schedule

The guidance provides instructions on the type of required financial data the Underwriter must prepare for the loan application. The collection of the applicable documents should meet the requirements on the Underwriter checklist. A sponsor, borrower (if fully capitalized), principal(s), and a general contractor must furnish current financial statements. This includes: a balance sheet, income and expense statement, supporting schedules, an REO schedule and a schedule of mortgage debt.

1. Individuals must submit either:
   a. Personal Financial and Credit Statement, Form HUD-92417:
      (1) The spouse of married sponsors or principals must also sign the form.
      (2) If a spouse's signature cannot be obtained, the principal must prepare the form reflecting only those assets that are solely in their name and any liability, including those joint liabilities, for which they have any responsibility, or
   b. A substitute statement, which contains at a minimum the information contained on Form HUD-92417. This form must contain the following certification and criminal warning:
      (1) I HEREBY CERTIFY that the foregoing figures and statements contained herein submitted by me as agent of the borrower [owner] for the purpose of obtaining mortgage insurance under the National Housing Act are true and give a correct showing of _____'s (Name of borrower or owner) financial position as of _____ (date of financial statement).
      (2) Signed this ____ day of _____, 20___. Signature of authorized agent with name printed or typed under signature _____.
      (3) Warning – HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)
      For married individuals, the spouse also must sign certification.
2. Business entities must submit the following separate statements and supporting documents for the last 3 years or the length of their existence. If less than 3 years, an authorized officer of the organization must provide the statements and supporting documents with a signed statement that there has been no material adverse change since the date of the statements.

a. Balance Sheet which:
   (1) Provides a breakdown of current and non-current assets; a list of all other assets including the market value of each asset, the basis for calculating value (for real estate owned assets this will be shown on the schedule of real estate), and any notes receivable from related entities;
   (2) Identifies restricted and non-restricted funds;
   (3) Provides a breakdown of current and non-current liabilities; identifies the current portion of long-term debt; contingent liabilities, including debts under secured or unsecured lines of credit or letters of credit, personal guaranties, obligations to limited partnerships and other obligations payable in the future, including the amount and duration of the obligation; and
   (4) Lists details of any factors that may materially affect the borrower's or sponsors financial position now or during the term of the mortgage.
b. Income and Expense Statement that reflects:
   (1) Income from normal operations;
   (2) Investment income;
   (3) Other income; and
   (4) Total expenses.
c. If the financial statements are audited, a Statement of Changes in Financial Position or if a fund accounting system is used, a Statement of Changes in Fund Balance, and all notes.
d. Supporting Schedules:
   (1) An Aging Schedule of Accounts Receivable that provides the name, type of account (trade, affiliate, employee, relative or other), payment terms, amount and aging information.
   (2) An Aging Schedule of Notes Receivable that provides the name, type of account, payment terms, maturity date, current portion (due within 1 year or one operating cycle of the business, whichever is less), past due amounts and non-current amounts.
   (3) Schedule of Pledged Assets, if applicable. Identify the pledged asset, the amount pledged and the offsetting liability.
   (4) Schedule of Marketable Securities that provides: name, number of shares, current market values as of the date of the statement, and the exchange where the shares are listed.
   (5) Schedule of Accounts Payable that provides: name, type of account (trade, affiliate, employee, relative or other), payment terms, amount and aging information.
   (6) Schedule of Notes and Mortgages Payable that provides: name, type of account, payment terms, maturity date, current portion (due within 1 year or one operating cycle of the business, whichever is less), past due amounts and non-current amount.
   (7) Schedule of Legal Proceedings, if applicable.
   (8) In addition to the applicable schedules in the above paragraphs, general contracting firms must submit a schedule of jobs (work) in progress that identifies the:
      (a) Original contract price;
      (b) Construction start date;

(c) Construction completion date; and
(d) Percentage of completion.

e. The REO schedule must contain the following information for each physical property listed:
- borrower/ principal's name
- property name and address
- type of property and number of units
- property acquisition date
- ownership role and interest
- percent of current occupancy
- annual net operating income
- present market value
- existing mortgages, liens and dates
- interest rate and dates
- sum of existing amount of mortgages and liens
- current property equity
- annual effective gross rental and commercial income (after deducting concessions and vacancy loss)
- annual operating expenses
- annual debt service
- debt service coverage ratio
- pending judgments, legal suits/actions or bankruptcy against the property.

f. A Schedule of Mortgage Debt is applicable only when the event of mortgage maturity is in the next five (5) years or the property is a troubled asset. Provide the following for each property listed:
- name of creditor/ lien holder
- type of debt (e.g. FHA mortgage, conventional mortgage, bridge loan, balloon)
- original mortgage amount or debt amount and origination date
- interest rate and origination date (i.e. fixed, fixed bonds, variable, etc.)
- unpaid principal balance or current debt amount and origination date
- maturity dates for all debt
- monthly payment
- balloon payment
- collateral (describe the security type for repayment of the mortgage or debt)
- status of debt as current or delinquent

g. Combined or consolidated financial statement(s), if applicable,
h. Other financial data necessary to determine the financial responsibility and capacity of the sponsorship or general contractor,

i. An authorized official of the company must sign and date the certification. The certification must reference the name of the business and the date of the financial statement(s).

B. How to Analyze Financial Statements

Please follow the instruction below to correctly analyze financial statement(s) when determining the financial capability of the Borrower, Sponsor, General Contractor, and or Manager.

1. **Current Assets** are cash and other assets convertible into cash during the normal operating cycle of business operations or 1 year, whichever is less.
   A. When reviewing cash, take into consideration compensating balances, which would limit the amount of cash actually available.
   B. Determine the current value of readily marketable stocks and bonds.
   C. Evaluate the accounts receivable and classify the following as noncurrent.
      1. Amounts due from officers and employees.
      2. Amounts advanced to subsidiary, affiliated or associated companies.
      3. Disputed accounts receivable.
      4. Accounts receivable past due for more than 60 days. Funds from a local, State or Federal source past due beyond this period may be considered if evidence is provided that source is historically late and it can be expected that these funds will be received before initial closing.
   D. Using a Schedule of Accounts Receivable by Age, determine if the amount allowed for doubtful accounts, if any, is adequate.
   E. Recognize only syndication proceeds from other projects and notes receivable to be collected during the normal operating cycle or 1 year, whichever is less.
   F. If the statement is audited, evaluate inventory and establish its liquidation value, relying on the accountant's review. Do not consider inventory, if statement is unaudited.
   G. Recognize only prepaid expenses for the project.
   H. Do not include:
      1. Equity in the proposed site, since consideration is given on Form HUD-92264-A, Part A.
      2. Cash equity in land and/or properties unless they are readily marketable and intended for the sale market.
      3. Anticipated profits from business ventures.
      4. Equity in real estate encumbered by high ratios of loan to value mortgages, unlisted stocks, goodwill, and other intangible assets.
2. **Current liabilities** are payables due during the normal operating period or 1 year, whichever is less.
   A. Include as current liabilities, regardless of term, those relating to marketable land and completed properties that were treated as current assets.
   NOTE: If the balance sheet does not reflect the amounts required to complete construction in

progress, the sponsor/general contractor must submit a supplementary statement of such amounts, which contains the truth and accuracy certification refer Appendix 8C.

B. Consider amounts due to officers, employees, affiliates or stockholders as current liabilities unless the obligations have a definite long-term maturity.
C. Consider amounts needed to satisfy broker's margin account (brokerage account allowing customers to buy securities with money borrowed from the broker).
D. Consider current portion of long-term liabilities.
E. Current year income tax payable. Normally, deferred income taxes are not considered current as long as the economic outlook of company does not appear to be in an adverse trend.
F. Do not include the amount outstanding on the project land, since this obligation is considered on Form HUD-92264-A, Part A.

3. Working Capital is the excess of current assets over current liabilities. If current liabilities exceed current assets, precede the difference with a minus sign to show a deficit.

4. Adjust the net working capital to consider:

A. Effects of contingent liabilities.
B. Financial needs of other projects in the planning stage or under construction.

5. When a sponsor's financial interests are represented by a number of corporations:

A. Require a certification from the Board of Directors, which evidences their willingness to make the required funds available.
B. Establish the availability of funds from such corporations.
C. Consider whether:
   1. Individual corporations have any operating capital to spare.
   2. Laws under which they are incorporated and/or their banks permit:
      (a) Withdrawals, loans or advances to owners or sponsors.
      (b) Stock investment in affiliated corporations.
      (c) Guarantee of debts of associated corporations.
   3. In analyzing financial statement:
      (a) Do not consider interlocking debts, receivables and investments between all affiliated corporations.
      (b) Consider only those assets readily available for investment by the borrower.
      (c) Do not consider the operating capital and/or net worth of rental project holding corporations as assets available for closing.

6. If funds are being provided by a parent company or affiliate of the sponsor:

A. Require a certification from the Board of Directors or authorized agent which specifies the funds the parent company/affiliate is willing to commit.
B. Establish the availability of funds from parent company/affiliate.

C. Require the parent company/affiliate to submit a certification indicating that the lending institution will not make any claim against the mortgaged property, mortgage proceeds, any reserve or deposit required by HUD, or against the rents or other income from the mortgaged property for payment of the loan. This certification must contain the criminal warning reflected in Appendix 8A.

C. Prior Approval of Principals with Insured Balances - $250 Million or 25 or More Commercial Real Estate Assets

1. Purpose of Prior Approval

   The purpose of HUD prior approval of principal creditworthiness is:

   A. To determine whether an active principal represents a reasonable credit risk given the operating performance, age, utility and physical condition of the principal's existing FHA insured and other properties;
   B. To determine the amount of any new mortgage insurance commitments that may be extended to an active principal given their credit history, cash flow, net worth, liquidity, scheduled debt maturities and operational stability;
   C. To identify and evaluate risks arising from any unique combination of assets that may suggest an adverse circumstance that could impact the stability of the principal's portfolio, such as concentration in a particular asset type, industry sector or geographic or market concentration;
   D. To assure a consistent, timely and efficient response to active principals with portfolio holdings which may be scattered among numerous Multifamily Regional Centers/Satellites; and
   E. To enable the largest users of FHA programs to plan for future property development or acquisition relying on financing available through the insurance programs.

2. Mandatory Prior Approval

   Lenders may not submit pre-applications or applications for mortgage insurance under any section of the National Housing Act (excluding healthcare programs and 223(a)(7)) on behalf of any sponsor who is an active principal and whose insured debt balances, including any proposed commitments for insurance, equal or exceed $250,000,000 without first obtaining approval from the Office of Multifamily Production. However, in determining whether a principal meets the threshold of insured loans totaling $250,000,000 or more, lenders must include all FHA insured loans in the total, including healthcare loans, but excluding any state or local housing finance agency or GSE Risk Sharing loans. Lenders should not adjust insured loan balances to account for a principal's fractional ownership interests. It is the lender's

responsibility to determine whether a principal to a proposed transaction(s) has or will have insured principal balances exceeding the threshold. This requirement for prior approval will not be waived.

A. Voluntary Prior Approval

Prior to filing an application for a specific project, the lender may request prior credit review and approval for any principal with 25 or more commercial real estate assets (whether or not FHA insured) notwithstanding aggregate loan balances or values. Accordingly, any applicant with 25 or more multifamily or commercial real estate assets who anticipates filing multiple applications for insured financing within a 12 month period may obtain prior credit review and approval of principals' creditworthiness in a single request, eliminating the reviews of principals' mortgage credit otherwise required with each separate project application.

B. Scope of Review

The lender must conduct a complete mortgage credit review of active principals and prepare an analysis of the sponsors' character, capacity and creditworthiness, including a review of all observed risks and prospective mitigating factors together with a recommendation for credit approval. The review must describe any material changes in the active principals' financial position expected during the 12 months following the date of the credit submission as well as any additional periods of time required for the stabilization of new developments or troubled assets. An essential element of the review is an assessment of the sponsors' ability to meet reasonably anticipated financial and management demands during the period when applications are under consideration and continuing through stabilization. HUD consideration of requests for prior approval does not relieve the lender of the responsibility to submit a properly underwritten MAP application for each project proposed for insured financing, nor does such consideration obligate any Regional Center or Satellite Office to reach a conclusion on the merits of any particular project application other than the creditworthiness of the active principals which already will have been reviewed and approved.

C. Reviewing Authority, Conditions and Duration of Prior Approval

The Technical Support Division of the Office of Multifamily Production will review lender requests for prior approval. The Technical Support Division will notify Regional Center Directors of its determination of the principal's creditworthiness and will specify a date when the prior approval expires. Depending on the applicant's financial strength and credit history, the Director of Technical Support will approve the request, approve with conditions, or disapprove the request. When appropriate to specific circumstances the Director of Technical Support may condition an approval with bounds including, but not limited to, one or more of

the following:

1. A list of particular named projects for which new insurance applications may be submitted;
2. Certain types of projects (e.g., refinance, but not new construction) or to specific markets or particular geography;
3. A maximum amount of new insurance commitments for which the principal may apply;
4. A maximum liquidity amount that may be required by new insurance commitments, or a minimum liquidity amount that the sponsor must maintain: or
5. Requirements for specific measures or remedies to address identified credit issues.

The principal's continued credit worthiness will be confirmed during processing of each new Firm Commitment application, but normally, and absent material and adverse changes in the principal's financial condition, the prior approval will be effective and may be relied upon for 24 months or lesser period specified by HUD, from the date of the credit approval.

3. Process for Prior Approval
   A. Method of submission. Requests for prior approval may contemplate multiple project applications in varying locations over a period of time. The following steps are required for submission:
      1. Designation of lender, lead lender. The sponsor must select a MAP lender to prepare and underwrite its request for prior approval. If the sponsor has or proposes to have individual project applications prepared by more than one MAP lender, then the MAP lender preparing the request for prior approval shall be the lead lender. The sponsor must disclose the identity of the lead lender to each of the other lenders and must authorize and direct the lead lender to share with any other lenders its request for prior approval and any HUD response to such requests.
      2. Form of submission. The lender shall provide an original (with original signatures), a hard copy and a reproducible electronic version of the request for prior approval. REO and mortgage debt schedules must be provided in both a fixed, not editable form as well as in an editable spreadsheet form allowing easy sorting and analysis of data.
      3. Where to submit request. The lender shall submit the request for prior approval to the Director of the Multifamily Regional Center or Satellite office with jurisdiction for the initial project application contemplated after prior approval is obtained
      4. Regional Center/Satellite administrative action. The office receiving the lender's request for prior approval shall retain the original and forward the hard copy and the reproducible electronic version of the request to the Director, Technical Support Division of the Office of Multifamily Housing Production. The Director of Technical Support will copy the

office on all correspondence arising from the request for prior approval. The office must retain the original of the lender's submission together with all relevant correspondence with the docket for the first project application it receives pursuant to any prior approval, and if there is no approval, then the submission must be retained consistent with the office's practice for rejected project applications. The Technical Support Division will retain the electronic version at headquarters.

2. Information Required from the Lender. The lender's request for prior approval should provide all the exhibits and analyses required for active principals as described in 8.3 with the exception Previous Participation Certification (APPS/ HUD- 2530) which must be provided with each application. Except in cases where a sponsor or their affiliate(s) propose to act as general contractor, credit review for principals who are not sponsors (i.e., general contractors, property managers) should be completed with individual applications. In addition to these exhibits the lender must provide the following:
    1. A description of all properties that are proposed for FHA insurance with an estimate of the cash requirements for closing each transaction and indicating whether the properties proposed for insurance are already held in the principal's portfolio, the purpose of the anticipated financing (refinance, rehabilitation, new construction) and the rationale and criteria used for selection of the proposed new insured properties (e.g. potential for cash flow or physical improvement, asset type, size, target market, geography, etc.). Generally, proposed projects should be specifically named and identified by address, but where acquisition, development or refinancing targets are to be determined, tentative or contingent, projects may be described generically.
    2. A financing plan displaying the liquidity and cash flow of the principals and business entities in relation to the estimated cash requirements for the projects proposed for insurance as well as for the projected calendar of capital transactions for other real estate owned. The period covered by the financing plan must be not less than the 12 months following the anticipated prior approval and shall also include any anticipated additional period required to achieve stabilization for any new development or troubled asset.
    3. A description of the provisions made by the principals to assure continuity and orderly succession in leadership and/or orderly disposition of assets in the event of any incapacity of the principal. This description must include a brief summary of partner buy/sell agreements, provisions for key person insurance and/or similar measures sufficient to evidence careful planning for these contingencies. Descriptions of prior changes in leadership, if any, should be provided if they document how the principal would deal with future changes.
    4. A specific conclusion as to the underwritten net worth, current liquidity and cash flow of the principal(s) and the business organization and whether financial resources are adequate

to meet anticipated needs during the year following the request for prior approval and any additional period required to stabilize new developments or troubled assets.

C. Action by Technical Support Division. Upon receipt of the request for prior approval, the Technical Support Division will review the submission and within 30 days issue a decision that will:
   1. Explain the reasons for the decision, identifying areas or issues of strength and/or weakness;
   2. Define the terms and conditions, if any, which may attach to the decision;
   3. If adverse, define remedies or conditions which would allow reconsideration;
   4. Quantify the net worth and liquidity available to the principal(s) in light of analysis of the principal's existing business operations and pending transactions.
   5. Identify specific projects proposed for insurance (or alternatively, when specific projects are yet to be determined, the location(s) and kinds of insured transactions, e.g. refinancing, new construction, etc.) which are given prior approval and the estimated aggregate sum of the principal's cash or other liquid assets required to close these transactions.
   6. Identify steps, if any, that Regional/Satellite Offices and lenders must take to coordinate completion of the proposed schedule of applications and resulting commitments and closings.
   7. Describe the process to be followed by the lender in the event of any appeal of the decision on the request for prior approval.

   The Director of the Technical Support Division will send the written decision to the lender and to the originating Multifamily Regional Center/Satellite office as well as to each other office with jurisdiction for any of the named projects proposed for insurance. In addition, the decision will be made available to all other Multifamily Regional Center/Satellite offices at the HUD Multifamily SharePoint site.

D. Project Applications after Prior Approval.
   Upon receipt of the prior approval, the lender(s) may file applications with the relevant Regional Center/Satellite for projects consistent with HUD's decision on the request. For each application, the mortgage credit exhibits shall include:
   1. A copy of the prior approval decision.
   2. Original, written certification(s) signed by each principal who is a subject of the prior approval decision stating that no material changes have occurred in the circumstances of the principal or the portfolio as described in the request for prior approval except as are fully described. The sponsor must disclose any and all loan applications filed,

commitments issued, and transactions closed as well as loan delinquencies, modifications, settlements or forbearance agreements concluded or any other change bearing on its ability to execute the transactions for which prior approval was requested. In the event that material changes have occurred, the principal shall also certify to the accuracy and completeness of the description of the material changes. The certification must contain the following language: "HUD will prosecute false claims and statements. Convictions may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012, 31 U.S.C. 3729, 3802)".

3. The lender's updated review and analysis of the creditworthiness of the principals in light of any materially changed circumstances. This review must consider all changed circumstances and describe how and why the lender concluded the changes were or were not material.
4. The lender's updated or adjusted financing plan showing the sponsors available liquidity and how the sponsor's resources have been or will be used to meet cash requirements arising from existing or proposed assets in accordance with HUD's prior approval decision.
5. In the event of a material change arising only from changes in the capital requirements of pending transactions, and not from altered and adverse performance of assets or the creditworthiness or behavior of the principal(s), then the lender may reallocate the principal's available resources to meet the cash requirements for particular projects, provided that the aggregate cash requirements do not exceed limits described in the prior approval. Any such reallocations must be documented in the updated financing plan. Such adjustments may result in the deletion of a project(s) proposed for financing and given prior approval, but additional or substitute transactions are not permitted unless additions or substitutions are authorized in the prior approval decision.
6. In the event that material changes arise from altered and adverse performance of existing assets, adverse credit behavior of the principal(s) or adverse events arising from sponsors' acts (or inaction), or failure to meet terms and conditions of the prior approval decision, then the Regional Center/Satellite shall refer the description of the material changes, the lender's updated review and updated financing plan to the Director, Technical Support Division. The Division of Technical Support will:

i. Confirm or amend the prior approval decision in light of the material changes and allow the subject application and/or further applications, to proceed in accord with the confirmed or amended prior approval, or
ii. Terminate the prior approval, in which event, the subject application and any further applications for mortgage insurance will require a new request for prior approval.
iii. The Director of the Technical Support Division will send the lender and/or the lead

lender and the Regional Center/Satellite(s) written notice of any confirmed, amended or terminated prior approval decision and any such notice will also be posted to the HUD Multifamily Sharepoint site at http://hudsharepoint.hud.gov/sites/DASMFH/OMHD/CRD/default.aspx

iv. In the event that the prior approval decision is terminated due to the behavior of the principal(s) and such behavior gives rise to an enforcement action, no new request for prior approval will be accepted until such enforcement action is resolved.

E. Prior Approval and Loan Committee Actions

Prior approval of principals does not alter thresholds for required Regional Center or National Loan Committee review and approval of insurance applications for specific projects

F. Lender Fees for Prior Approval

Lenders may charge a reasonable fee for preparing the a sponsor's prior approval package for submission to HUD. Subject to existing MAP limits on lender fees and charges on individual loan applications, the fee charged by the lender for preparing a request for prior approval, together with any third-party costs incurred, are mortgageable and may be allocated or prorated among one or more of the projects submitted for new insurance commitments at the discretion of and subject to the mutual agreement of the applicant and the lender(s).

G. Lender Appeals of Prior Approval Decisions

If the lead lender disagrees with HUD's determination with respect to a prior approval decision, the lender may appeal. Any such appeal must be filed within 30 days of the date of HUD's written decision on the prior approval request and must be documented with an electronic, a hard original and one hard copy of the appeal.

1. The appeal should be filed with the same Regional Center/Satellite office to which the original re+quest for prior approval was submitted. The Regional Center/Satellite will retain the original appeal with the docket file and forward the electronic and hard copies to the Director, Office of Multifamily Housing Production.
2. The lender's appeal shall:
   a. Cite the specific cause or issue which is the occasion of the appeal.
   b. State the specific change requested in the decision of the Technical Support Division.
   c. Cite any published guidance, standard industry underwriting practice, or evidence of error which supports the change.
   iv. Provide any other new or additional evidence not previously presented to HUD.
3. The Director of Multifamily Production must review the appeal and within 15 business days after receipt by HUD of the lender's appeal (30 days if the lender's appeal offers new

or additional evidence not previously presented), the Director will prepare and send a written decision to the lender, with a copy to the Regional Center/Satellite Director.

4. When conducting the review of the appeal, the Director of Multifamily Production must ensure a wholly independent review and, except for ascertaining matters of fact, rely only on staff with no prior engagement or participation in the initial decision on the request for prior approval.
5. The decision of the Director of Multifamily Production on the appeal shall be dispositive and shall detail in writing the substance of and the reasons for any denial of the appeal or revision of any earlier decisions and will be posted to the same HUD Multifamily sharepoint site as original prior approval decisions.

The Multifamily Regional Center will retain the original of the appeal submission and related materials. If a lender's appeal is approved, then the Regional Center will retain the original materials with the docket for the initial project application received pursuant to the prior approval. If denied, the submission must be retained consistent with the Regional Center's practice for rejected project applications. The Office of Multifamily Production will retain the electronic version at headquarters.

D. Requirements To Evaluate Non-profit Sponsors and Borrowers – Non-profit Sponsor & A Profit-Motivated Borrower Entity

1. Form Review
   A. Review Form HUD-3433 to see if the non-profit sponsor/borrower is qualified to start, complete and operate a project under the insured loan programs. Determine that all of the following criteria are satisfied:
      1. The non-profit sponsor/borrower is acting on its own behalf and is not, either knowingly or unwittingly, under the influence, control or direction of any outside party seeking to derive a profit or gain from the proposed project—such as a landowner, real estate broker, contractor, architect, attorney or consultant.
      2. The non-profit sponsor/borrower has continuity and a serious long-term commitment to supply housing for the intended resident population.
      3. The non-profit sponsor/borrower has:
         (a) Strong roots in the neighborhood and in the local community.
         (b) A good reputation for reliability, service and commitment to the people for whom the housing is to be built.
         (c) The board of directors demonstrates ties to the local community served by the non-

profit and includes representatives on the board from the local business community.

4. The non-profit sponsor/borrower must fully understand the responsibilities and obligations of developing a housing project and continuing its successful operation. This is evidenced partly by:
   (a) General knowledge of the factors that contribute to project success or failure.
   (b) Familiarity with the housing programs.
   (c) Prior successful experience developing, owning and operating a multifamily project similar to the subject.
5. Sponsor/borrower must acknowledge, by majority resolution of its directors or trustees, the responsibilities and obligations of sponsorship to develop and manage the project. The non-profit borrower or sponsor must not have any unresolved or recent internal control or compliance findings.
6. Sponsor or borrower and its principals are reliable based on:
   (a) Reputation and past performance.
   (b) Success and extent of previous experience, including the type of service furnished (financial, management, etc.), in providing housing or related social services.
7. Sponsor or borrower is providing or has arranged for the professional and management skills essential to the successful start, development, completion, and operation of the proposed project.

B. Credit Investigation.

1. As with for-profit sponsors, the Lender's Underwriter must make a determination of who are the individuals and entities with decision-making and operational authority over the project. The Underwriter will provide an in-depth written analysis on the aspects of the mortgage credit review in the Underwriter's Narrative.
2. Order data and/or commercial credit reports on the sponsor and borrower, if formed, and residential credit reports for the officers of the borrower entity and make inquiries of bank and trade references identified on Form HUD-92013 Supp to determine basic acceptability of credit reputation and previous experience. A credit review of individual members of non-profit board of directors is not required unless they are also a board officer with a decision-making role over the property.
3. Check for the existence of any delinquent federal debt.
4. Check with other HUD Offices in whose jurisdiction the non-profit has done or now does business to ascertain their past experience and performance.
5. Check that the borrower/sponsor has no unresolved issues related to payment history and check credit references.

C. Analysis of Financial Data.
   1. Determine:
      (a) Amount of cash and liquid assets available for investment in the project.
      (b) Whether the non-profit entity has used prudent judgment in its past and present business affairs.
      (c) Overall financial condition of the sponsoring group, particularly whether the financial statements indicate that income will be sufficient to meet the expenses incurred by the group.
   2. Financial statements of many large non-profit organizations show various fund accounts, such as general and building fund, etc.
      (a) Be aware of inter fund receivables and payables that cancel each other.
      (b) Do not consider restricted-use funds in the analysis.
      (c) Review the Public Records section of the credit report to eliminate assets, which were used as collateral in secured borrowing.
   3. The project size and complexity should be consistent with the abilities of the sponsoring organization.

2. Submitting Form HUD-3434, Certificate of Relationships and Non-profit Motives, and Form–3435, Certification of Contractual Relationship.
   A. At the Firm Application stage and prior to initial endorsement (beginning of construction in the case of insurance upon completion), the sponsor and borrower must certify on Form HUD-3434, their relationships with parties or firms furnishing land and services.
   B. Such parties or firms must certify on Form HUD-3435 their relationship with the sponsor and borrower.
   C. If there is a change in the certified relationship, the sponsor, borrower and other parties must furnish additional certifications with respect to each change.
   D. All relationships are subject to HUD approval.
   E. For refinance transactions those sections which deal with new construction may be left blank, insert "N/A."
3. Non-profits may earn a developer's fee, but not BSPRA, on a new construction or substantial rehabilitation proposal under Sections 220, 221(d)(4), 231, or 241(a).
4. Non-profit Sponsor and a Profit-Motivated Borrower Entity.
   A non-profit sponsor may establish a profit-motivated borrower entity for the purpose of owning a tax credit project or obtaining BSPRA and distributions from surplus cash. Such a request may be approved provided:
   A. The Field Counsel determines that there is no legal impediment that would prohibit approval of the request.
   B. The non-profit agrees to be regulated by the terms and conditions of the regulatory agreement

(Form HUD-92466M, Regulatory Agreement Multifamily Housing Projects) applicable to a profit-motivated entity.

C. The non-profit is subject to the mortgage limitations applicable to a profit-motivated entity.
D. A working capital deposit is required.
E. A non-profit developer's fee is not included in the mortgage.
F. If the non-profit provides evidence that it has obtained exemption from real estate taxes, the tax exemption must run with the real estate and not with the type of sponsorship.
G. The potential tax consequences, as well as the possible effect on the non-profit's Section 501(c)(3) status with the IRS, is determined to be acceptable.
H. Form HUD-3433 is not required for such cases.

E. Payoff Letter for Existing Mortgage

Name and Address Bank:
Madam/ Sir:
Subject:
Name and Address of Project:
Borrower's Account No. _____
This office has received an application for FHA mortgage insurance for the subject project. We are advised that your firm is the mortgagee. Please provide us with the following information:
Date of Mortgage _____
Original Amount $_____ Monthly Payment Amount $_____
Next Payment Due $_____
Present Mortgage Balance $_____ As of (Date) _____
Other Amounts Due: Interest $_____ Penalties $_____
Total Payoff Balance (Excluding Forgiven Indebtedness, Rebates, etc.) $_____
Balance of Escrow, Reserves, etc. (Itemize) $_____
$_____ $_____
Is Debt Current: Yes ____ No _____ Satisfactory _____ Unsatisfactory _____
Other known Indebtedness against property (explain)_____
_____
Remarks
_____
_____

Date _____ Signature _____
Title _____

Information provided will be used solely for our evaluation and will otherwise be held in confidence. We are enclosing a stamped, self-addressed envelope. Please replay at your earliest convenience.
Sincerely,

F. Subordination, Non-Disturbance and Attornment Agreements

1. Purpose and Applicability

This Section provides guidance on the use of Subordination, Non- Disturbance and Attornment Agreements (SNDA) for commercial leases in certain FHA insured projects and delegates approval authority of SNDAs to Satellite Office and Regional Centers.

Applicability:

- Applicable in its entirety to non-assisted or non-subsidized FHA insured multifamily projects under all Sections of the Act, except Section 232.

- Section C.1 only is applicable to FHA insured projects that are subsidized under Section 202/811, 236, 221(d) (3) BMIR, or FHA insured projects with Project Based Rental Assistance.

A predictable, stable income stream from commercial leases with high quality, credit worthy commercial tenants provides a benefit to a property's operating stability, particularly if the commercial tenants are nationally recognized or have national brands. FHA benefits by allowing borrowers the latitude to negotiate with the widest pool of credit qualified commercial tenants. A stronger tenant increases the certainty of the commercial income stream, enhances the property's marketability and decreases risk to the FHA Insurance Fund.

Permitting the use of SNDAs is necessary to induce higher quality commercial tenants to rent in insured properties. Therefore, guidance permits the use of SNDAs when a commercial lease is negotiated at a property with an existing insured mortgage, for a new property with a newly originated insured loan, or when a building owner with existing commercial tenants seeks an insured loan for refinancing.

2. Background

Prior to the issuance of Mortgagee Letter H 2011-14, HUD's policy on SNDAs was based on a concern over lack of flexibility in the event of a mortgage default, since an SNDA gives a commercial tenant the right to remain in its space under the existing lease terms and conditions after a loan default and foreclosure. If there were a borrower approved SNDA, HUD would be bound to continue the commercial lease even after assignment of the insured loan. Because of HUD's prohibition on SNDAs, borrowers were negotiating into commercial leases the required lease termination language, were leasing to commercial tenants that would not insist on an SNDA or were deciding not to apply for financing under the FHA insurance programs.

Commercial tenants generally desire, and in many instances require, an SNDA in recognition of the expense put into lease negotiations and to enable them to continue to enjoy the business location and the economic benefits and certainty of the lease terms. In many cases, the tenant incurs costs to design and build out their unique tenant improvements, which costs must be amortized over the lease term. Nor does the tenant want to lose the good will and customer base associated with continuing to operate on the premises. Indeed, MAP lenders report that most national retail chains require an SNDA and will not execute a long term lease without the non-disturbance assurance.

3. Implementation

A sample form of SNDA is attached. This form should be used for all SNDAs approved by Satellite Offices and Regional Centers.

Guidance related to underwriting commercial rents and commercial tenants and the reviewing and setting rents for commercial space in insured and assisted properties is in Chapter 7 Section 7.7.

A. SNDAs are permitted for Rooftop, Cell Phone Tower, Cable Television and Internet Access Leases on all properties with an existing insured mortgage or on all properties applying for an insured mortgage subject to the following:

   1. New, existing or renegotiated rooftop leases (including for cell phone towers, cable television or internet access) in all properties with currently insured mortgages, in all properties applying to refinance, or in all new construction or substantial rehabilitation properties, may use an SNDA. In those cases, the commercial lease and income that is or will be in place is a benefit to the property, while imposing little or no additional property operating expense. The presence of a rooftop cell phone tower or cable access to the building should not negatively affect the residents, the marketability of the units or HUD's recovery value on the note in the event of a default.

   2. With respect to all such leases, the underwriting and review process should ensure that there are no exclusivity requirements under the leases that would prevent the owner from attracting competing services for the benefit of the residential tenants in the future.

B. SNDAs are permitted for Commercial Leases, other than Rooftop, Cell Phone Tower, Cable Television or Internet Access Leases on all non-assisted or non-subsidized properties with an existing insured mortgage or on all non-assisted or non-subsidized properties applying for an

insured mortgage subject to the following:

1. New, existing or renegotiated commercial leases with commercial tenants in properties with currently insured mortgages, in properties applying to refinance, or in new construction or substantial rehabilitation properties may use an SNDA.

2. A lease may be approved if the lease calls for a fair market rent in the local area and the activities to be conducted by, or the structures and equipment to be installed by, the proposed tenant will not have an adverse effect on the residents.

3. If any Identity of Interest (IOI) relationship (defined as a financial interest or family relationship with the officers, directors, stockholders, or partners of the Borrower) exists between the borrower as lessor and the commercial tenant as lessee, an SNDA is not permitted.

4. The commercial tenant must be appropriate for a residential building.

4. Approval

A. Satellite Offices and Regional Center Directors are authorized to approve all SNDAs for rooftop, cell phone tower, cable television and internet access leases.

B. For any property applying for a new mortgage insurance commitment, the Satellite Offices and Regional Center Directors will review and approve of the commercial lease terms and the form of SNDA when processing the application for Firm Commitment.

C. For existing properties with insured mortgages the Satellite Offices and Regional Center Directors may approve the proposed SNDA between the property owner and the commercial tenant.

D. The following is the typical supporting documentation, although depending on the circumstances, additional documentation may also be required:

1. Proposed commercial lease and SNDA agreement.

2. Form HUD-92458 and 92264.

3. Commercial market rent study.

4. Details of any proposed build out or finish of the commercial space or rooftop tower.

5. Disclose the existence of any related documents such as: Memorandum of Lease, Guaranty of Lease, Tenant Estoppels' Certificate, Lease Guaranties or Amendments, etc.

SNDA

U.S. Department of Housing and Urban Development
Office of Housing
Federal Housing Commissioner

OMB Approval #2502-0029
Exp. (xx/xx/xxxx)

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

_____

(Space above this line for Recorder's Use)

SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT

THIS AGREEMENT, made as of this __ day of _____, 20_, by and between _____ ("Owner" or "Lessor"), as lessor under the lease hereinafter described, and _____ ("Operator" or "Lessee"), lessee under the aforementioned lease, in favor of _____ ("FHA Lender"), the owner and holder of the Mortgage hereinafter described.

W I T N E S S E T H:

WHEREAS, Lessor has executed, or will execute that certain Mortgage/Deed of Trust with Assignment of Rents, dated as of _____, 20 _, (the "Mortgage"), in favor of FHA lender and covering certain real property (the "Property") located in the City of _____ County of _____, State of _____, with a legal description as set forth in Exhibit "A" attached hereto and incorporated herein by this reference, and covering the improvements situated thereon (the "Improvements"); and

WHEREAS, Lessor and Lessee entered into that certain unrecorded Lease dated _____, 20_, and all amendments thereto (the "Lease"), covering the Improvements for the term and upon the conditions set forth therein; and

WHEREAS, the parties hereto now desire to enter into this Agreement to establish certain rights and obligations with respect to their interests, and to provide for various contingencies as hereinafter set forth.

NOW, THEREFORE, in consideration for the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and of the mutual benefits to accrue to the parties hereto, it is hereby declared, understood and agreed that the Lease, all terms and conditions set forth in the Lease, the leasehold interests and estates created thereby, and the priorities, rights, privileges and powers of Lessee and Lessor there under shall be and the same are hereby, and with full knowledge and understanding of the effect thereof, unconditionally made subject and subordinate to the lien and

charge of the Mortgage, all terms and conditions contained therein, any renewals, extensions, modifications or replacements thereof, and the rights, privileges and powers of the trustee and FHA lender there under, and shall hereafter be junior and inferior to the lien and charge of the Mortgage. The parties further agree as follows:

1. It is expressly understood and agreed that this Agreement shall supersede, to the extent inconsistent herewith, the provisions of the Lease relating to the subordination of the Lease and the leasehold interests and estates created thereby to the lien or charge of the Mortgage.

2. FHA lender consents to the Lease.

3. In the event FHA lender or any other purchaser at a foreclosure sale or sale under private power contained in the Mortgage, or by acceptance of a deed in lieu of foreclosure, succeeds to the interest of Lessor under the Lease by reason of any foreclosure of the Mortgage or the acceptance by FHA lender of a deed in lieu of foreclosure, or by any other manner, it is agreed as follows:

   (a) Lessee shall be bound to FHA lender or such other purchaser under all of the terms, covenants and conditions of the Lease for the remaining balance of the term thereof, with the same force and effect as if FHA lender or such other purchaser were the lessor under such Lease, and Lessee does hereby agree to attorn to FHA lender or such other purchaser as its lessor, such attornment to be effective and self-operative without the execution of any further instruments on the part of any of the parties to this Agreement, immediately upon FHA lender or such other purchaser succeeding to the interest of Lessor under the Lease.

   (b) Subject to the observance and performance by Lessee of all the terms, covenants and conditions of the Lease on the part of the Lessee to be observed and performed, FHA lender or such other purchaser shall recognize the leasehold estate of Lessee under all of the terms, covenants and conditions of the Lease for the remaining balance of the term (as the same may be extended in accordance with the provisions of the Lease) with the same force and effect as if FHA lender or such other purchaser were the lessor under the Lease and the Lease shall remain in full force and effect and shall not be terminated, except in accordance with the terms of the Lease or this Agreement; provided, however, that FHA lender or such other purchaser shall not be (i) liable for any act or omission of Lessor or any other prior lessor, (ii) obligated to cure any defaults of Lessor or any other prior lessor under the Lease which occurred prior to the time that FHA lender or such other purchaser succeeded to the interest of Lessor or any other prior lessor under the Lease, (iii) subject to any offsets or defenses which Lessee may be entitled to assert against Lessor or any other prior lessor, (iv) bound by any payment of rent or additional rent by Lessee to Lessor or any other prior lessor for more than one (1) month in advance, (v) bound by any amendment or modification of the Lease made without the written

consent of FHA lender or such other purchaser, or (vi) liable or responsible for or with respect to the retention, application and/or return to Lessee of any security deposit paid to Lessor or any other prior landlord, whether or not still held by Lessor, unless and until FHA lender or such other purchaser has actually received for its own account as lessor the full amount of such security deposit.

Lessee hereby agrees that it will not exercise any right granted it under the Lease, or which it might otherwise have under applicable law, to terminate the Lease on account of a default of Lessor there under or the occurrence of any other event without first giving to FHA lender prior written notice of its intent to terminate, which notice shall include a statement of the default or event on which such intent to terminate is based. Thereafter, Lessee shall not take any action to terminate the Lease if FHA lender (a) within thirty (30) days after service of such written notice on FHA lender by Lessee of its intention to terminate the Lease, shall cure such default or event if the same can be cured by the payment or expenditure of money, or (b) shall diligently take action to obtain possession of the leased premises (including possession by receiver) and to cure such default or event in the case of a default or event which cannot be cured unless and until FHA lender has obtained possession, but in no event to exceed ninety (90) days after service of such written notice on FHA lender by Lessee of its intention to terminate.

4. Lessor and Lessee hereby certify to FHA lender that the lease as previously submitted to FHA lender has not been further amended.

5. For the purposes of facilitating FHA lender's rights hereunder, FHA lender shall have, and for such purposes is hereby granted by Lessee and Lessor, the right to enter upon the Property and the Improvements thereon for the purpose of affecting any such cure.

6. Lessee hereby agrees to give to FHA lender concurrently with the giving of any notice of default under the Lease, a copy of such notice by mailing the same to FHA lender in the manner set forth herein below, and no such notice given to Lessor which is not at or about the same time also given to FHA lender shall be valid or effective against FHA lender for any purpose.

7. Subordination of Lease to Mortgage and Regulatory Agreements and Regulation by the U.S. Department of Housing and Urban Development ("HUD").

   (a) The Lease and all estates, rights, options, liens and charges therein contained or created under the Lease are and shall be subject and subordinate to the lien or interest of (i) the Mortgage on the Lessor's interest in the Property in favor of FHA lender, its successors and assigns insofar as it affects the real and personal property comprising the Property (and not otherwise owned, leased or licensed by Lessee) or located thereon or therein, and to all renewals, modifications,

consolidations, replacements and extensions thereof, and to all advances made or to be made there under, to the full extent of amounts secured thereby and interest thereon, and (ii) that certain Regulatory Agreement for Multifamily Housing Projects between Lessor and HUD to be recorded against the Property.

(b) The parties to the Lease agree to execute and deliver to FHA lender and/or HUD such other instrument or instruments as the FHA lender and/or HUD, or their respective successors or assigns, shall reasonably request from time to time to reconfirm the status of the lease and to effect and/or confirm the subordination of the Lease to the lien of the Mortgage and the above-described Regulatory Agreements. To the extent that any provision of the Lease shall be in conflict with the HUD Program Obligations (as such term is defined below), the HUD Program Obligations shall be controlling.

(c) In the event HUD, at a foreclosure sale or sale under private power contained in the Mortgage, or by acceptance of a deed in lieu of foreclosure, succeeds to the interest of Lessor under the Lease by reason of any foreclosure of the Mortgage or the acceptance by HUD of a deed in lieu of foreclosure, or by any other manner, it is agreed as follows:

(i) HUD can terminate the Lease for any violation of the Lease that is not cured within any applicable notice and cure period given in the Lease.

(ii) As used in this Agreement **"Program Obligations"** means (1) all applicable statutes and any regulations issued by the Secretary pursuant thereto that apply to the Project, including all amendments to such statutes and regulations, as they become effective, except that changes subject to notice and comment rulemaking shall become effective only upon completion of the rulemaking process, and (2) all current requirements in HUD handbooks and guides, notices, and mortgagee letters that apply to the Project, and all future updates, changes and amendments thereto, as they become effective, except that changes subject to notice and comment rulemaking shall become effective only upon completion of the rulemaking process, and provided that such future updates, changes and amendments shall be applicable to the Project only to the extent that they interpret, clarify and implement terms in this Agreement rather than add or delete provisions from such document. Handbooks, guides, notices, and mortgagee letters are available on HUD's official website: (http://www.hud.gov/offices/adm/hudclips/index.cfm, or a successor location to that site).

(d) To the extent there is any inconsistency between the terms of this Subordination, Non Disturbance and Attornment Agreement, and the Lease, the terms of this Subordination, Non Disturbance and Attornment Agreement shall be controlling.

8. For purposes of any notices to be given to FHA lender hereunder, the same shall be sent by U.S. certified mail, return receipt requested, postage prepaid, to FHA lender at the following address:

[Insert Address]
or to such other address as FHA lender may hereafter notify Lessee in writing by notice sent to Lessee as aforesaid at Lessee's address at the Property, or such
other address as FHA lender may hereafter be advised of in writing by notice sent to FHA lender as aforesaid.

9. The agreements contained herein shall run with the land and shall be binding upon and inure to the benefit of the respective heirs, administrators, executors, legal representatives, successors and assigns of the parties hereto.

10. This Agreement may be executed in one or more counterparts, all of which when taken together shall constitute a single instrument.

11. This Agreement shall, in all respects, be governed by and construed and interpreted in accordance with the laws of the _____.

SIGNATURES

OWNER (or LESSOR)
By:_____
Name: _____
Title: _____
Date:_____

OPERATOR (or LESSEE)
By: _____
Name:_____
Title:_____
Date:_____

FHA LENDER
By: _____
Name: _____
Title:_____
Date:_____

Appendix 11
Initial Endorsement

11A Initial Endorsement Document Review – Architectural and Cost

PROJECT NAME: _____

PROJECT NUMBER: _____

Answer each question. Check "N/A" only where the document/question is not applicable to the project.

PART I. ARCHITECTURAL ANALYST REVIEW

	Yes	No	N/A
1. Request for Permission to commence Construction Prior to Initial Endorsement for Mortgage Insurance, Form FHA-2415, was executed.	__	__	__
If, yes			
a. Construction started and has been continuous.	__	__	__
If yes, construction started _____			
If no, comment: _____			
_____			
b. Additive or deductive change orders are in process or known to be proposed.	__	__	__
If yes, comment: _____			
_____			

c. No known problems, e.g.: nonpayment for work or material; liens; latent conditions; errors in the survey, drawings or specifications; wet site, strike, materials shortage, or other conditions delaying continued work; municipal stop order, other sanctions or requirements for additional work; contractor or subcontractor disputes, etc. __ __ __

If yes, comment: _____

_____

d. Comments: _____

_____

2. Building Permits are for the proposed improvements, acceptable, unconditional, and current. __ __ __

If no, comment: _____

_____

Yes No N/A

3. Jurisdictional authority has given its stamp or permit, where applicable, for: storm water disposal, private water supply and sewage treatment/disposal facilities. __ __ __

If no, comment: _____

_____

4. Assurance of Utilities

a. Water service letter is unconditional and reasonable in its currency. __ __ __

If no, comment: _____

_____

b. Sanitary sewer service letter is unconditional and is reasonable in its currency. __ __ __

If no, comment: _____

_____

c. Electric service letter is unconditional and is reasonable in its currency. ___ ___ ___

If no, comment: _____

_____

d. Gas service letter is unconditional and is reasonable in its currency. ___ ___ ___

If no, comment: _____

_____

e. District heat letter is unconditional and is reasonable in its currency. ___ ___ ___

If no, comment: _____

_____

f. Telephone service letter is unconditional and is reasonable in its currency. ___ ___ ___

If no, comment: _____

_____

	Yes	No	N/A
g. Cable TV letter is unconditional and is reasonable in its currency.	___	___	___

If no, comment: _____

_____

5. Survey, Surveyor's Certificate and Title Policy.

a. The title policy/endorsement matches the legal description on the survey. ___ ___ ___

If no, comment: _____

_____

b. Easements, encroachments and other title policy/endorsement Schedule B identified exceptions are consistent with and between the plat for recordation/survey, surveyor's certificate, site plan and other drawings. __ __ __

If no, comment: _____

_____

c. Easements across other sites for project driveways, drainage outfalls, etc., are acceptably reflected in plats for recordation, and covered by maintenance agreements where used jointly with others. __ __ __

If yes, identify: _____

_____

If no, comment: _____

_____

d. The Surveyor's Certificate is dated and is acceptable. __ __ __

If no, comment: _____

_____

e. The last Survey revision date is _____ and the survey is acceptable. __ __ __

If no, comment: _____

_____

	Yes	No	N/A
f. Air rights map applies.	__	__	__

If yes:

1) It provides vertical ways to grade for vertical transportation, emergency exits, utilities, trash chutes, etc.

If no, comment _____

_____

2) It provides necessary easements for exterior and interior ingress and egress, emergency exit discharge, services, maintenance, etc. __ __ __

If no, comment: _____

_____

3) Maintenance agreements cover all facilities jointly used with others. __ __ __

If yes, identify: _____

_____

If no, comment: _____

_____

6. Construction Documents.

a. The drawings and specifications, including drawing dates and revision dates, conform to those accepted for firm commitment. __ __ __

If no:

1) Revisions are minor, dictated by issues arising after firm, and don't affect construction costs or project value. __ __ __

If no, comment: _____

_____

2) Revised sheets and pages have been inserted in the drawings and specifications and are acceptable. __ __ __

If no, comment: _____

_____

	Yes	No	N/A
3) Addenda and attachments required for changes from the firm commitment drawings and specifications are included in the project manual.	__	__	__
If yes, they are numbered _____ and dated _____			
If no, comment: _____ _____			
4) Reprocessing is required, due to changes from the drawings and specifications upon which the commitment was issued.	__	__	__
If yes, comment: _____ _____			
5)Comments:_____ _____ _____ _____ _____			
b. The Master Set and Sets 2 and 3 are signed and initialed as per Section 5.7.C.	__	__	__
If no, comment: _____ _____			
c. The correct wage decision is incorporated in the project manual.	__	__	__
If no, the following are required:_____ _____			

d. The wage rate is a special determination. ___ ___ ___

If yes, expiration date is: _____

7. Construction Contract

a. Drawing sheets, specification pages, and if applicable, addenda numbers and pages, are properly identified. ___ ___ ___

Yes No N/A

If no, the corrected list/index is attached.

b. The design architect(s) and supervisory architect are correctly listed. ___ ___ ___

If no, comment: _____

_____

c. The amendment to the construction contract for Identities of Interest Between the Contractor, Owner and Architect is attached. ___ ___ ___

If no, comment: _____

_____

d. The amendment to the construction contract for Payment for Components Stored Offsite, if applicable, is attached. ___ ___ ___

If no, comment: _____

_____

8. Offsite work is involved. ___ ___ ___

If yes:

a. The municipal jurisdiction's installation assurance letter is unconditional and reasonable in its currency. ___ ___ ___

If no, comment: _____

_____

If N/A, completion assurance is required for the following:

_____

_____

b. Construction contract(s) is/are acceptable. __ __ __

If yes, identify the contract(s) and work:

_____

_____

If no, comment: _____

_____

c. Drawings and specifications are:

1) Included in the construction documents for on-site work and are acceptably segregated by contract limit lines and divisions of the specifications. __ __ __

Yes No N/A

If no, comment:_____

_____

2) Included in separate drawings and specifications from on-site work. __ __ __

If yes, identify:_____

_____

_____

3) Comment: _____

_____

_____

9. Owner/Architect Agreement(s)

a. The prime architect(s) is/are:

b. There is an agreement, B108, for each prime architect. ___ ___ ___

If no, comment: _____

_____

c. The HUD amendment to the B108 is referenced in Article 12 of, and attached to each Owner/Architect Agreement. ___ ___ ___

If no, comment: _____

_____

d. Each B108 identifies the specific services to be performed by the applicable prime architect. ___ ___ ___

If no, comment: _____

_____

e. Article 11 is acceptable for each B108, and all referenced appendices, addenda, etc., are attached. ___ ___ ___

If no, comment: _____

_____

f. Addendum to Owner-Arch Agreement and/or Construction Contract show(s) an identity of interest for Supervisory Arch. ___ ___ ___

If yes, comment: _____

_____

Yes No N/A

g. Comment:_____

_____

_____

10. Special Conditions of the Commitment, numbered _____, are considered in this review. Required documents have been submitted and found acceptable for them all. ___ ___ ___

a. Special Conditions numbered _____ have not been satisfied.

Comment: _____

_____

b. The following documents must be submitted:

_____

_____

11. The list(s) of major movable equipment is/are acceptable, which applicable to Sect 221d SRO, 231projects.

If no, comment: _____

_____

12. Comment:

_____

_____

_____

PART II. COST ANALYST REVIEW

13. Two copies of the property insurance requirements are attached and acceptable.	__	__	__
a. The amounts shown on the Agreement and Certification are correct.	__	__	__
	Yes	No	N/A

If no, comment: _____

_____

14. Agreement and Certification.

If no, the following are the correct amounts:

_____

_____

b. The contract, including dollar amounts for general overhead and profit has been approved for each identity of interest subcontractor listed in the Certification and Agreement and the Amendment to the Construction Contract. ___ ___ ___

If no, comment: _____

_____

15. Construction Contract.

a. A signed approved cost breakdown, Form HUD-2328, is attached as Exhibit A to the Construction Contract. ___ ___ ___

If no, comment: _____

_____

b. The Inventory and Cost Breakdown for Stored Components, if applicable, is acceptable and attached to Form HUD-2328, Exhibit A to the Construction Contract. ___ ___ ___

If no, comment: _ _____

_____

	Yes	No	N/A
c. The construction contract price is correct.	___	___	___

If no, the correct amount is _____

d. The contract completion date is correct, and if an early start, reflects Form FHA-2415 modification requirements. ___ ___ ___

If no, the completion date should be _____

e. The contract addendum lists identities of interest indicating the need for pre-approval of subcontractor contracts for general overhead and profit. ___ ___ ___

If yes, comment:

_____

_____

	Yes	No	N/A
16. Progress Schedule agrees with the Contract time and is acceptable.	__	__	__

If no, comment: _____

_____

17. Assurance of completion for offsite work not done by municipality is required.	__	__	__

If yes, for the following contracts and costs.

_____ $_____

_____ $_____

_____ $_____

18. The Mortgagor's and Architect's Certificate(s) is/are consistent with the B108(s) for prime architects, and Other A&E Fees are reasonable.	__	__	__

If no, comment: _____

_____

	Yes	No	N/A
19. Special Conditions of the Commitment numbered_____, are considered in this review. Required documents have been submitted and found acceptable for them all.	__	__	__

If no:

a. Special Conditions numbered _____have not been satisfied.
Comment: _____

_____

b. The following documents must be submitted;

_____

_____

b. Listed chattel and values are acceptable for the Financing Statement and Security Agreement (UCC) __ __ __

If no, comment: _____

_____

c. Listed chattel and values are acceptable for the Chattel Mortgage. __ __ __

If no, comment _____

_____

20. Comments:

_____
_____
_____
_____
_____
_____
_____

_____ _____
ARCHITECTURAL REVIEW DATE

_____ _____
COST REVIEW DATE

_____ _____

11B Initial Endorsement Document Review – Valuation

PROJECT NAME: _____

PROJECT NUMBER: _____

Answer each question. Check "N/A" only where the document/question is not applicable to the project.

	Yes	No	N/A
1. Environmental review has been approved, copy attached, and all exceptions cleared.	__	__	__
If no, comment: _____			
_____			
2. Survey and Surveyor's Certificate.	__	__	__
a. The property surveyed is the same as that which was appraised.			
If no, comment: _____			
_____			
b. A difference in site area affects net value.	__	__	__
If yes, comment: _____			
_____			
c. Review of the Survey and Surveyor's Certificate reveals encroachments not previously considered	__	__	__
If yes, comment: _____			
_____			
d. Encroachments are acceptable and do not affect value and marketability.	__	__	__
If no, comment: _____			
_____			
The following encroachments must be removed prior to closing:			
_____			

f. Flood hazard elevations shown on the survey are consistent with environmental assessment clearance assumptions. ___ ___ ___

Yes No N/A

If no, comment: _____

_____

g. Reprocessing is required because of Survey or Surveyor's Certificate identified issues. ___ ___ ___

If yes, comment: _____

_____

3. Maintenance agreements have been considered in project operating expense. ___ ___ ___

a. If no, processing is required.

b. Comment:

_____

_____

4. Zoning Compliance is unconditional and is reasonable in its currency. ___ ___ ___

If no, comment: _____

_____

5. The lease and is acceptable (leasehold projects only). ___ ___ ___

If no, the following changes must be made:

_____

_____

6. Special Conditions of the Commitment, numbered _____, are considered in this review. Required documents have been submitted and found Acceptable for them all. ___ ___ ___

If no:

a. Special Conditions numbered _____ have not been satisfied.

Comment: _____

_____

b. The following documents must be submitted:

_____

_____

	Yes	No	N/A
7. Owner's certification listing all federal/state/local government insurance, loan, grant, tax credit, or subsidy programs in which the project/owner will participate and any grants or below-market loans to be received from non-governmental sources is on file (required for all projects).	__	__	__

a. If no, comment:

_____

_____

b. If yes, certification is consistent with valuation processing and deed covenant restrictions.	__	__	__

If no, comment: _____

_____

8. Owner's Sources and Uses of Funds Statement is on file listing: all funds available; all purposes for which funds will be disbursed; and dates any investor contributions are due.	__	__	__

If no, comment: _____

_____

9. Deed covenants or other closing documents include low-income occupancy and/or rent restrictions. ___ ___ ___

a. If yes:

The basis is: tax credits or tax-exempt bonds (Section 142 d) or tax-exempt bonds (State or local) or local rent restrictions (identify which).

Comment: _____

_____

The deed covenant, and/or other closing document, low-income occupancy and/or rent restrictions are consistent with the IRS tax credit allocation certification, IRS tax-exempt ruling, etc., as applicable, and the assumptions used in valuation processing.

b. If local rent restrictions, then project assistance is provided in the form of: tax exempt bands or CDGB or land write down. ___ ___ ___

If yes, identify which:

_____

_____

Yes No N/A

If no, comment: _____

_____

Certification for providing the assistance is included and consistent with the restrictions. ___ ___ ___

If yes, identify form of assistance certification:

_____

_____

If no, comment: _____

_____

c. More than 40 percent of units are subject to low- income occupancy and/or rent restrictions under tax exempt bond or tax credit financing provisions. ___ ___ ___

If yes, project is assisted by project based Section 8 subsidy or comparable long-term state/local subsidy.

The basis is: tax credits or tax-exempt bonds (Section 142 d) or tax-exempt bonds (State or local) or local rent restrictions (identify which).

Comment: _____

_____

The deed covenant, and/or other closing document, low-income occupancy and/or rent restrictions are consistent with the IRS tax credit allocation certification, IRS tax-exempt ruling, etc., as applicable, and the assumptions used in valuation processing. ___ ___ ___

If no, comment: _____

_____

d. If local rent restrictions, then project assistance is provided in the form of: tax exempt bands or CDGB or land write down. ___ ___ ___

If yes, identify which:

_____

_____

If no, comment: _____

_____

	Yes	No	N/A
Certification for providing the assistance is included and consistent with the restrictions.	___	___	___

If yes, identify form of assistance certification:

_____

_____

If no, comment: _____

_____

e. More than 40 percent of units are subject to low- income occupancy and/or rent restrictions under tax-exempt bond or tax credit financing provisions. ___ ___ ___

If yes, project is assisted by project based Section 8 subsidy or comparable long-term state/local subsidy, or Headquarters approval letter is on file. ___ ___ ___

If yes, identify which:

_____

_____

If no, comment: _____

_____

10. Title Policy/Endorsement Schedule B Items and/or other identified title exceptions have been considered in project value and marketability or have no effect on them. ___ ___ ___

If no:

a. Reprocessing is required, if the following items/exceptions are not removed:

_____

Comment: _____

_____

b. The following items/exceptions must be removed under any circumstances:

_____

_____

Comment:_____

11. Comments:

_____

_____

_____

APPRAISAL REVIEW

Date

11C Initial Endorsement Document Review – Mortgage Credit

PROJECT NAME: _____

PROJECT NUMBER: _____

Answer each question. Check "N/A" only where the document/question is not applicable to the project.

	Yes	No	N/A
1. Request for Permission to Commence construction prior to Initial Endorsement for Mortgage Insurance, Form FHA-2415, was executed.	__	__	__
If yes:			
a. Release of liens by the contractor and subcontractors are acceptable.	__	__	__
If no, comment: _____			
_____			
b. The commitment date for the start of principal payment has been modified to reflect the early start of construction.	__	__	__
If no, comment: _____			
_____			
c. Provisions have been made to escrow funds for additive change orders approved during the early start of construction but not yet completed and/or paid.	__	__	__
If no, comment: _____			
_____			
d. Mortgagor/Contractor Agreement to recognize interest costs relating to early start submitted.	__	__	__
If no, comment: _____			
_____			

	Yes	No	N/A
2. The request for an initial advance is acceptable and funds requested under the construction contract, including any for work under an early start, are supported by a Contractor's Requisition, Form HUD-92448.	__	__	__

If no, comment: _____

_____

	Yes	No	N/A
3. 2530 Clearances.			
a. The mortgagor entity has been cleared pursuant to Form HUD-2530 procedures.	__	__	__

If no, comment and steps taken:

_____

_____

b. Individuals or entities shown in the organizational documents or incumbency certificate have been cleared pursuant to Form HUD-2530 procedures.	__	__	__

If no:

The following need clearance:

_____

_____

Actions taken:

_____

_____

c. Individuals or entities shown on the contractor's certification have been approved pursuant to Form HUD-2530 procedures.	__	__	__

If no:

The following need clearance:

_____

_____

d. All architects and attorneys who have an identity of interest have been cleared pursuant to Form HUD 2530 procedures. __ __ __

Yes No N/A

If no:

The following need clearance:

_____

_____

e. All identified packagers, consultants, project managers and management agents have been cleared pursuant to 2530 procedures. __ __ __

If no:

The following need clearance:

_____

_____

4.Partnership Agreement:

a. Credit check, financial review and 2530 clearance are acceptable for each principal partner. __ __ __

If no, comment: _____

_____

b. Rights and duties of each partner are acceptable. __ __ __

If no, comment: _____

_____

c. Capital investment made/maintained for each partner is acceptable. __ __ __

If no, comment: _____

_____

d. Partnership term equals or exceeds mortgage term. __ __ __

If no, partnership term must be: _____

e. Mortgagor is a single asset mortgagor. __ __ __

If no, comment: _____

_____

	Yes	No	N/A
f. Partnership Agreement is consistent with the Regulatory Agreement.	__	__	__

If no, comment: _____

_____

g. The partnership agreement improperly provides for the mortgagor to indemnify partners and officers against lawsuits.	__	__	__

If yes, comment: _____

_____

h. Comments:

_____

_____

_____

5. Corporate Mortgagor.

a. Credit check, financial review and 2530 clearance are acceptable for each principal investor.	__	__	__

If no, comment: _____

_____

b. Mortgagor is a single asset mortgagor. ___ ___ ___

If no, comment: _____

_____ _____

c. The articles of incorporation and bylaws are consistent with the Regulatory Agreement and other documents. ___ ___ ___

If no, comment: _____

_____

d. The articles of incorporation and/or by-laws improperly provide for the mortgagor to indemnify board members against suits. ___ ___ ___

If yes, comment: _____

_____

6. The Agreement and certification is acceptable. ___ ___ ___

Yes No N/A

If no, comment: _____

_____

7. The amount shown in the Regulatory Agreement for the Reserve Fund for Replacements is correct. ___ ___ ___

If no, the correct amount is _____

8. Construction Contract.

a. The time for construction is correct. ___ ___ ___

If no, comment: _____

_____

b. The amount shown for liquidated damages is correct. ___ ___ ___

If no, the correct amount is _____

c. The contract price agrees with the 2328. ___ ___ ___

If no, the correct amount is _____

d. The cash upset amount is correct. ___ ___ ___

If no, the correct amount is _____

e. The Construction Contract Incentive Payment in Article 3 is acceptable in language, amount and computation. ___ ___ ___

If no, comment: _____

_____

f. The Note amount is approved, if payment is by other than cash. ___ ___ ___

If no, the correct amount is _____

g. Assurance of completion amount shown in Article 6 is correct. ___ ___ ___

If no, the correct amount is _____

h. The Cost Breakdown (Form HUD-2328) has been confirmed correct by Arch/Cost. ___ ___ ___

If no, comment: _____

_____

i. The filing period for monthly advances is acceptable. ___ ___ ___

Yes No N/A

If no, comment: _____

_____

j. The Amendment to the construction contract for identities of interest is attached and acceptable. ___ ___ ___

If no, comment: _____

_____

9. Advances for Components Stored Offsite are involved. __ __ __

If yes:

a. Corporate surety bonds are 100 percent each for performance and payment and are acceptable. __ __ __

If no, comment: _____

_____

b. The Inventory and Cost Breakdown for Stored Components is attached to Form HUD-2328, Exhibit A to the Construction contract. __ __ __

If no, comment: _____

_____

c. The construction contract includes the addendum for offsite storage. __ __ __

If no, comment: _____

_____

10. Assurance of Completion for on-site work.

a. The performance and payment bond(s) are for100 percent each. __ __ __

If no, comment: _____

_____

b. The bonding company,

_____

_____,

is acceptable to write a policy in the stated amount.

If no, maximum policy amount is _____

	Yes	No	N/A
c. Completion Assurance Agreement is correct. If no, the correct amount is _____	__	__	__
d. Personal Undertaking, Form FHA-2459, is acceptable and in the correct amount. If no, comment: _____ _____	__	__	__
e. Comment: _____ _____ _____ _____			
11. The Assurance of Completion for offsite work is acceptable. If no, comment: _____ _____	__	__	__
12. Owner-Architect Agreement fees and FormHUD-92403-1 agree for each design architect. If no, comment: _____ _____	__	__	__
13. The Certificate of Architectural/Engineering Fees agrees with prime architect contract fees and other A&E fee claims. If no, comment: _____ _____	__	__	__
14. Mortgage Note or Rider.			
a. The interest rate is the same as shown on the commitment. If no, the correct rate is _____	__	__	__
b. The Mortgage amount is correct. If no, the correct amount is _____	__	__	__

	Yes	No	N/A
c. The P&I is correct.	__	__	__
If no, the correct amount is _____			
d. The Commencement of Amortization date is correct.	__	__	__
If no, the correct date is _____			
e. The ending date for amortization is correct.	__	__	__
If no, the correct date is _____			
f. The Special Provisions are consistent with other reviewed documents and financing criteria.	__	__	__
If no, comment: _____			
_____			
g. Comments:			
_____			
_____			
15. Mortgage or Mortgage Modification Agreement.			
a. The interest rate is the same as shown on the commitment.	__	__	__
If no, the correct rate is _____			
b. The Mortgage amount is correct.	__	__	__
If no, the correct amount is _____			
c. The P&I is correct.	__	__	__
If no, the correct amount is _____			
d. The Commencement of Amortization date is correct.	__	__	__
If no, the correct date is _____			
e. The ending date for amortization is correct.	__	__	__
If no, the correct date is _____			

f. The Special Provisions are consistent with other reviewed documents and program financing criteria. ___ ___ ___

If no, comment:

g. Comments:

_____

_____

_____

	Yes	No	N/A
16. Title Policy or Endorsement.			
a. Policy amount is _____ which equals or exceeds the mortgage.	___	___	___
If no, comment: _____ _____			
b. The title company, _____ is acceptable for a policy in that amount.	___	___	___
If no, comment: _____ _____			
17. The Building Loan Agreement is acceptable.	___	___	___
If no, the following changes are required: _____ _____			
18. The Mortgagee's Certificate is acceptable as to fees, discounts, notes, and other terms, and agrees with firm commitment processing.	___	___	___
If no, the following changes are required: _____ _____			

19. The Sponsor's Certification, Form FHA-3437, for 231 NP proposals is acceptable ___ ___ ___

If no, comment: _____

_____

20. The Guaranty Agreement, for 12-Month Debt Service Escrow for B&C Independent Living Units is acceptable. ___ ___ ___

If no, comment: _____

_____

21. The Financial Requirements For Closing, Form FHA 2283, is attached. ___ ___ ___

If no, comment: _____

_____

	Yes	No	N/A
22. Special Conditions of the Commitment numbered_____ are considered in this review. Required documents have been submitted and found acceptable for them all.	___	___	___

If no:

a. Special Conditions numbered _____have not been satisfied.

b. The following documents must be submitted:

_____

_____

c. The following actions have been taken:

_____

_____

23. Evidence that the mortgagor is able to finance its required minimum financial investment is acceptable. __ __ __

If no, comment: _____

_____

_____

Mortgage Credit Reviewer

_____

Date

Note: The Hub Director is responsible for securing corrected initial draw documents directly from the mortgagee.

11D Initial Endorsement Document Review

PROJECT NAME: _____

PROJECTNUMBER: _____

Answer each question. Check N/A only where the document/question is not applicable to the project.

	Yes	No	N/A
1. The commitment issuance and expiration dates are _____ and _____ respectively.			
a. The commitment has been extended If yes, the new expiration date is: _____	__	__	__
b. The commitment has been reopened If yes, the new expiration date is: _____	__	__	__
c. The commitment has been amended. If yes, the amendment dates are: _____	__	__	__
2. The Commitment has been assigned.	__	__	__
If yes:			
a. The new mortgagee is an approved mortgagee and the assignment is acceptable.	__	__	__

If no, comment: _____

_____

b. Current mortgagee:_____

Mortgagee number: _____

c. Previous mortgagee: _____

Mortgagee number: _____

3. Special conditions of the Firm Commitment are No. _____ thru _____ inclusively.

Yes No N/A

a. Architectural, Cost, Valuation, and Mortgage Credit reviews address Nos. _____, _____, _____ and _____ respectively.

b. This review considers special conditions Nos. _____. Documents have been submitted and found acceptable for them all. __ __ __

If no, comment:_____

c. Special conditions numbered _____have not been satisfied.

Comment: _____

_____

d. The following documents must be submitted:

_____

_____

e. The following actions have been taken:

_____

_____

4. Request For Permission to Commence Construction Prior to Initial Endorsement for Mortgage Insurance, Form FHA 2415, was executed. __ __ __

If yes:

a. Copies were furnished to Arch and MC, and construction started.

If no, comment:

_____

_____

b. All known issues arising from the early start have been reconciled. __ __ __

Yes No N/A

If no, comment: _____

_____

5. EO 12372 Clearance, if applicable, has been received.

6. Chronology of Mortgage Transactions, Form FHA 260, is attached. __ __ __

If no, comment: _____

_____

7. Checks in the amount of $ _____ for _____, and $ _____ for _____ _____ must be collected at closing.

8. Owner's certification listing all Federal/State/local government insurance, loan, grant or subsidy programs in which the project/owner will participate and any grants or below market loans to be received from non-government sources is signed and on file (required for all projects). __ __ __

If no, comment: _____

_____

9. The following documents, if applicable, have been signed and returned by the PHA/Owner:

a. Annual Contributions Contract (ACC). __ __ __

If no, comment: _____

_____

b. Agreement to Enter into a Housing Assistance Payment Contract (AHAP). __ __ __

If no, comment: _____

_____

c. Housing Assistance Payment Contract (HAP). __ __ __

If no, comment: _____

_____

d. Low-Income Housing Tax Credit or Historic Tax Credit Allocation

	Yes	No	N/A
Certification, IRS Form 8609 or IRS Form 3468, HQ review, Exhibits 1-7, and owner's statement agreeing to notify HUD of any changes.	__	__	__
If no, comment: _____			
e. Owner's Certification That Project Will Not Participate in the Low Income Housing Tax Credit (LIHTC) Program.	__	__	__
If no, comment: _____			
f. IRS tax exemption ruling.	__	__	__
If no, comment: _____			
g. Other.			

_____

_____

_____

10. COMMENTS:

_____

_____

_____

REVIEWED BY _____

CHIEF UNDERWRITER _____

DATE _____

11E HUD Washington Docket

I. Initial Preparation of the Washington and Field Office Dockets is the responsibility of the Multifamily Regional Center Production Division Director.

A. Assign appropriate staff in time to complete initial preparation of the Washington Docket and Field Office Docket. Include and arrange the documents, except for those used at final endorsement/endorsement, according to paragraphs II.B.1 and III.A.
B. Certify as Complete and Deliver the arranged documents for both the Washington Docket and Field Office Docket to the Production Division Director's designee for Docket completion and distribution.

II. Washington Docket.

A. Regional Center Director is responsible for:
   1. Designating a person to complete the Washington Docket, i.e., combining the documents provided by the Production Division Director and the final closing/closing documents furnished by the closing attorney.
   2. Assuring that the Washington Docket is reviewed by the Technical Support Branch Chief and that the Technical Support Branch Chief includes a signature attesting to the completeness and accuracy of the closing documents incorporated into the Docket.
   3. Its transmittal to Headquarters' Chief, Records Management, HRDC, Department of Housing and Urban Development, Room B264, 451 Seventh Street, SW, Washington, DC 20410, within 30 working days of the closing.
      a. Waiver requests for delayed shipping must be supported and secured from the Director, Office of Multifamily Production, HTD.
      b. The existence of outstanding escrows is not a basis for delaying submission of the docket.

B. Regional Center Director's Designee is responsible for:
   1. Verifying that all applicable project documents are filed in the Washington Docket by the categories and sequence listed in the *Schedule of Washington Docket Contents* below.
   2. Transmitting the Docket under the Director's memorandum to the Chief, Records Management, HRDC.
   3. Sending a copy of the transmittal memorandum to each of the following:
      a. Regional Center Production Division Director and the Regional Center and/or Satellite Office Asset Management Division and
      b. Headquarters Director, Management Services Division, HFMP, and Director, Multifamily Accounting & Servicing Division, HOAM.

C. HUD Technical Support Branch Chief is responsible for reviewing the assembled Washington Docket and:
   1. Certifying that all closing documents are included in the Washington Docket, including the initial closing documents where applicable, and explaining any deviations,
   2. Including the certification in the Washington Docket, below, and
   3. Returning the Washington Docket to the Regional Center Director's designee for distribution according to paragraph B. above.

D. Recordation and Safekeeping. The Chief, Records Management, OAMS, is responsible for:
   1. Maintaining the Washington Docket for the mortgage term plus 6 years as provided in Handbook 2225.6 REV-1, HUD Records Disposition Schedules; and
   2. Notifying the Hub/Program Center Director of Docket receipt.

E. Washington Docket Addenda. Where outstanding escrows exist when the Washington Docket is shipped, or there are modifications/ allonges, the Hub/Program Center is responsible for the subsequent shipment of germane documents to the Chief, Records Management, HRDC.
   1. Prepare, certify and ship any addenda in the same manner as prescribed for the Docket, except identify on the transmittal memorandum and *Schedule of Washington Docket Contents* that the documents are an addendum to the Washington Docket.
   2. Transmit addenda within 30 days after all escrows are closed, or modifications/ allonges completed.

F. Construction Documents are a supplement to the Washington Docket and consist of the:
   1. Master Set of Drawings and Specifications; and
   2. Original copy of all approved Construction Changes, For HUD–92437, Architects Supplement Instructions, AIA Document G710, and supporting exhibits.

G. Preparation for/and Shipment of Construction Documents. The Regional Center or Satellite Office Technical Support Division Branch Chief is responsible for oversight of the Closing Coordinator or other staff assigned to assembling and preparing the documents for shipment to the Regional Records Center, and certifying to document completeness on in the transmittal memorandum, B. 3., above.
   1. Retain the Construction Documents in the Regional Center or Satellite Office for one (1) year after final endorsement and at the Records Center as provided in Handbook 2225.6 REV-1, Schedule 1. Document shipment may be deferred up to one (1) additional year after final endorsement to allow concurrent shipment of documents for several projects.
   2. Secure the Change Orders, Architect's Supplemental Instructions, and supporting documents with rubber bands or twine and roll all documents into the drawings. Secure the roll with twine and affix a copy of transmittal memorandum B.3., above.
   3. Label/code the documents and/or packing cartons in accordance with Handbook 2228.1 REV-3, Records Disposition Management.

H. Washington Docket Integration.
1. The Regional Center Director's designee is responsible for forwarding the following construction document information to the Chief, Records Management, HRDC, Room B264:
   a. Copy of transmittal memorandum that states the Technical Support Branch Chief certify to document completeness.
   b. Regional Records Center address, and packing box and/or document retrieval identification number or code.
2. The Chief, Records Management is responsible for:
   a. Acknowledging receipt of documents to the Regional Center Director.
   b. Incorporating the Technical Support Branch Chief's document completeness certification (transmittal memorandum copy), and the construction document storage retrieval address and identification code into the Washington Docket.

III. Field Office Docket is a duplicate of the Washington Docket plus any additional correspondence and documents remaining after making up the Washington Docket.

A. File Preparation.
1. Number the Field Office Docket Binders, 1 of N, 2 of N, etc., where "N" equals the `total number of binders where project document bulk requires multiple binders.
2. Arrange the documents in closing checklist order on the right side of the binders. Related correspondence and supporting reports, exhibits, etc., may be filed chronologically with the documents or on the left side of the binders.
3. Forward the file to the Regional Center Director's designee in accordance with paragraph I above for the addition of the final endorsement/ endorsement documents, and transmittal to the Director, Housing Asset Management.

B. File Maintenance/Disposition. The Regional and/or Satellite Office Asset Management Division Director is responsible for:
1. Maintaining the Field Office Docket for Housing Asset Management and any Housing Development staff use after final endorsement/ endorsement.
2. Disposition of the Field Office Docket in accordance with Handbook 2225.6, HUD Records Disposition Schedule.

IV. Amortization Schedule (Multifamily Mortgage).

Submit the following documents within five (5) working days of closing to the Multifamily Insurance Operations Branch, MFIOB, Department of Housing and Urban Development, P.O. Box 44124,Washington, DC 20026-4124.

A. Insured Advances Projects. Form HUD-290, Closing Memorandum; Form HUD-92023, Request for Final Endorsement of Credit Instrument; Form HUD-2580, Maximum Insurable Mortgage; Deed of Trust Note; and any modifications, riders or allonges.

B. Insurance Upon Completion Projects. Form HUD-290, Closing Memorandum; and Form HUD-27038, Official Receipt of Federal Housing Administration (of the initial premium).

C. Projects Pursuant to Section 223(f). Form HUD-290, Closing Memorandum; and Form HUD-27038, Official Receipt of Federal Housing Administration (of the initial premium).

D. Distribution. The Multifamily Insurance Operations Branch, MFIOB, will audit the case, prepare the amortization schedule, and transmit copies as follows:
   1. Requisitioning Field Office, for inclusion in the Washington Docket and Field Office Docket,
   2. Current lending servicer,
   3. Multifamily Insurance Operation Branch's active project file.

SCHEDULE OF WASHINGTON DOCKET CONTENTS

HUD Office: _____ Mortgagor: _____

Project Name:

Project No: _____

Proposed: ~~Sub Rehab:~~ (Existing) Refinance: Purchase:
Section of Act: _____ Compiled By: _____

Endorsement Date: _____ Date Completed: _____

==========

The notes to the sections and the Washington Docket Completeness Instructions with the indicated document type (i.e. original (O), certified (C), extra copy (EC), etc.) are at the end of this schedule.

==========

The following eight (8) sections identify the forms and documents that create the docket content:

Application
Contract
Title
Mortgage
Corporate
Fiscal
Closing
Mortgage Credit Control Files for left side of docket

APPLICATION SECTION

Format	Seed Money Information	(C)
HUD-92013	* Application for Mortgage Insurance (SAMA/Feasibility/Conditional/Firm) (See Note Section No.1)	(O)
HUD-92013-E	Supplemental Application and Processing Form, Housing for the Elderly	(C)
HUD-92013-SUPP	Application - Project Mortgage Insurance (Supplement to HUD-92013)	(O)
HUD-92264	* Project Analysis (for Firm Commitment, and Conditional Commitment and SAMA or Feasibility Letter, if applicable, including all revisions and amendments)	(C)
HUD-92264-A	Supplement to Project Income Analysis and Appraisal	(EC)
Format	Compute Fees in a Purchase Transaction (223(f))	(O)
Format	Compute Fees in a Refinance Transaction (223(f))	(O)
Format	Compute Operating Deficit Escrow (223(f))	(O)
HUD-92438	Underwriting Summary Report	(O)
HUD-92432	Firm Commitment for Insurance of Advances; and Conditional Commitment and SAMA or Feasibility Letter, if applicable (See Note Section No. 2 below)	(EC)
FHA-2453	* Firm Commitment to Insure Upon Completion; and Conditional Commitment and SAMA or Feasibility Letter, if applicable. (See Note Section No. 2 below)	(C)
Format	Firm Commitment Existing and Conditional if applicable (see Note Section No. 2 below)	(C)
Format	Certification re: Fulfillment of Special Conditions of Commitment (if any)	(O)
Format	Assignment of Commitment (if any)	(EC)
Format	Ginnie Mae/Fannie Mae Commitment (if any)	(EC)
HUD-9447	Unit Vacancy and Resident Turnover Report	(O)
HUD-9449	Monthly Resident Roster/Accommodation Charge	(O)
HUD-9450	Computation of Term and Principal and Interest Payment for Section 223(f) Projects in Older, Declining Areas	(O)
HUD-2530	Previous Participation Certificate	(EC)
Form	Management Review Questionnaire	(O)

HUD-92415	Request for Permission to Commence Construction Prior to Initial Endorsement	(O)
HUD-92403-1	Mortgagor's and Architect's Certificate	(O)
HUD-92403	Application for Insurance of Advance of Mortgage Proceeds (See Note Section No. 3 below)	(EC)
HUD-92448	Contractor's Requisition Project Mortgages	(EC)
Format	HUD Representative's Memoranda accepting offsite and other escrowed work for release of escrowed funds	(O)
HUD-92023	Request for Final Endorsement of Credit Instrument (See Note Section No. 4 below)	(O)
HUD-92010	Equal Employment Opportunity Certificate	(O)
HUD-93305M	Agreement and Certification (Insurance of Advances Projects with No Profit and Risk Allowance)	(O)
HUD-3306	Agreement and Certification (Insurance Upon Completion Projects)	(O)
HUD-3433	Request for Determination of Eligibility as Non-profit Sponsor and/or Mortgagor	(O)
HUD-3434	Certificate of Relationships and Non-profit Motives (221(d)(3),231, and 236)	(O)
HUD-3435	Certification Regarding Contractual Relationships on Non-profit Motives (221(d)(4) and 231)	(O)
FHA-3476	Certificate of Eligibility Under Section 221 (Persons displaced)	(O)
HUD-92451	Financial Record of Mortgage Loan Transaction	(O)
HUD-58047	Report of Default During Construction (Before Final Endorsement)	(O)
HUD-4128	(or as document in online HEROS system) Environmental Assessment and Compliance Findings for the Related Laws.	(O)
Format	Draft Environmental Impact Statement (if required)	(O)
Format	Final Environmental Impact Statement (if required)	(O)
SF-424	Application for Federal Assistance (Intergovernmental Review)	(C)
HUD-935.2A	Affirmative Fair Housing Marketing Plan (Multifamily)	(O)
HUD-95379	HUD Representatives Trip Report	(EC)
HUD-92458	Rent Schedule Low Rent Housing	(C)

CONTRACT SECTION

HUD-92441M	Building Loan Agreement	(EC)
HUD-92442M	Construction Contract	(EC)
HUD-92443	Construction Contract Incentive Payment	(EC)
Format	Building Permits	(EC)
HUD-92452M	Performance Bond – Dual Obligee	(EC)
HUD-92452A-M	Payment Bond – Dual Obligee	(EC)
HUD-92450M	Completion Assurance Agreement	(EC)
HUD-92477M	Bond Guaranteeing Sponsor's Performance	(EC)
Format	Assurance from Public Authorities or Public Utility Companies of Installation of Off-Site Facilities (if any), (or)	(EC)
FHA-2479	Off-Site Bond, (or)	(DO)
HUD-91071M	Escrow Agreement for Off-Site Faculties	(EC)
HUD-3259	Surety Bond Against Defects Due to Defective Materials and/or Faulty Workmanship	(EC)
HUD-92464M	Request for Approval of Advance of Escrow Funds (Execute a copy of each request.)	(EC)
HUD-2456	Escrow Deposit Agreement (if any)	(EC)
HUD-92455M	Request for Endorsement of Credit Instrument Certificate of Mortgagee, Mortgagor and General Contractor (For Insurance Upon Completion only)	(O)
Format	Guarantee Against Latent Defects (Cash Escrow)	(EC)
Format	Letters Assuring Use of Utility Services (Water, Electricity, Sewer, Gas, and Heat)	(EC)
Format	Collateral Agreements (if any)	(EC)
Format	Tax Exemption Letters (if any)	(EC)
HUD-2485	Permission to Occupy – Project Mortgages	(EC)
Format	Municipal Certificate of Occupancy	(EC)
HUD-9839(A,B,C)	Certificate of Management Agent	(O)
HUD-9832	Management Agent Profile	(O)
HUD-92330	Mortgagor's Certificate of Actual Cost	(O)
HUD-92330-A	Contractor's Certificate of Actual Cost	(O)
HUD-92331	Summary of Cost Certification Review, Cost Section	(C)
HUD-92331-A	Cost Certification Review Worksheet, Mortgage Credit Section	(C)
HUD-92580	Maximum Insurable Mortgage	(O)
HUD-2205-A	Mortgagor's Certificate/Actual Cost/Section Section 223(f)	(O)
HUD-92476-A	Escrow Agreement, Additional Contribution by Sponsor	(O)
HUD-92476.1	Escrow Agreement for Unpaid Construction Costs	(EC)
Format	Section 8 Assistance HAP Contract Documents (If any)	(C)
HUD-92503	Rent Supplement Contract (if any)	(EC)

FHA-1708	Agreement for payment of Real Property by Taxes	(EC)
Format	AlA DOC B108 Standard Form of Agreement Between Owner and Architect for a Federally Funded or Insured Project	(EC)
HUD-92408M	HUD Addendum to the Owner-Architect Agreement	(EC)
HUD 92531	Housing Consultant's Certificate	(O)
HUD-92580	Maximum Insurable Mortgage	(O)
HUD-92531-B	Housing Consultant's Certified Receipt	(O)
Format	Work Write-up/List of Required Repairs (if repairs after closing.) (223(f))	(O)
Format	Schedule of Values (if repairs after closing) (223(f))	(O)
Format	Progress Schedule (if repairs after closing) (223(f))	(O)
Format	Schedule of Delayed/Interrupted Occupancy (if repairs after closing) (223(f))	(O)
Format	Escrow for Completing Repairs After Closing Completion (if any) (223 (f))	(EC)
Format	Initial Operating Deficit Escrow, if any	(EC)

TITLE SECTION

Format	Title Evidence, as accepted at closing	(DO)
HUD-92457M	Surveyor's Report and Certified Property Survey (See Note Section No. 5 below)	(C)
Format	Maintenance Agreement (if any) (For maintenance of facilities shared under common use easements)	(C)
Format	Lease (Ground lease or model lease forms, if any)	(EC)
HUD-92070M	Lease Addendum for 207 Project	(C)
Format	Land Disposition Contract and Deed (if project is in Urban Renewal Area)	(C)
HUD-27038	Official Receipt/ Federal Housing Administration	(O)

MORTGAGE SECTION

	Mortgage Bond or Note (FHA Form, as finally endorsed)	(C)
	* Mortgage or Deed of Trust (FHA Form, as executed)	(C)
Format	Modification Agreement (if any)	(C)
Format	List of Major Movable Equipment included in the Mortgage or Chattel Mortgage	(C)
Format	Chattel Mortgage, (or)	(O)
Format	Security Agreement and Financing Statement, (or)	(O)
Format	Mortgagee's Attorney's Opinion that Neither is Necessary	(O)
HUD-92466	* Regulatory Agreement	(O)
FHA-1710	Residual Receipts Note (Non-profit Mortgagors)	(C)
FHA-1712	Residual Receipts Note/LTD Distribution Mortgagors	(C)
HUD-92223	Promissory Note	(O)
HUD-92433	Mortgagor’s Certificate	(O)
HUD-2434	Mortgagee’s Certificate	(O)
HUD-92447	Property Insurance Requirements	(EC)
HUD-92329	Property Insurance Schedule – Insurable Values for Property Insurance Coverage	(EC)
Format	Comprehensive Attorney’s Opinion	(O)

CORPORATE SECTION

Format	Corporate Charter or Partnership Agreement	(CC)
Format	Certificate of Incorporation of Mortgagor	(CC)
Format	Certificate of Domestication (if any)	(CC)
Format	By-Laws (if Mortgagor is a Corporation)	(CC)
Format	Stock Subscription Agreements	(CC)
Format	Minutes of Meetings, Resolutions, Organization, etc., of Directors and Shareholders of Mortgagor	(CC)
HUD-92478M	Mortgagor's Oath	(O)
FHA-3281	Approved Management Contract, (or)	(C)
Format	Approval of Management Arrangements	(C)
Format	Declaration (Coops)	(C)
Format	Cooperative Informational, Organizational and Sales Documents (Coops)	(C)
Format	Verification, Non Identity-of-Interest between Mortgagee & Mortgagor	(O)

FISCAL SECTION

HUD-2409	Amortization Schedule Request/MF Mortgages	(O)
FHA-3307	Computation of Advance Amortization	(O)
FHA-3635	Closing Fiscal Examination Work Sheet	(O)
HUD-2283	Financial Requirements for Closing (Final employed in closing)	(C)
Format	Operating Budgets	(C)
	* Reservation of Contract Authority (Subsidized Programs)	(C)
Format	Effective Date of Interest Reduction Contract (Section 236)	(C)
Format	Reservation of Contract Authority (Subsidized Programs)	(EC)
HUD-92451	Financial Record of Mortgage Loan Transaction	(O)
HUD-92410	Statement of Profit and Loss	(C)
HUD-2328	Contractor's and/or Mortgagor's Cost Breakdown (Schedule of values)	(EC)
Format	Secondary Financing Format	(O)
Format	Mortgagor’s Financing Plan	(O)
Format	Verification of existing indebtedness or purchase agreement	(O)
HUD-213	Sales Projection	(O)

CLOSING SECTION

Format	FHA closing Receipt (Initial and Final)	(O)
HUD-290	Closing Memorandum	(O)
Format	Attendance Lists	(O)

MORTGAGE CREDIT CONTROL FILES
(Left Side of Docket)

Format	Financial Statement/Financial Reports/Balance Sheets/Statement of Income	(C)
Format	Rent Roll (223(f))	(C)
Format	Dun and Bradstreet Reports	(O)
Format	Credit Bureau Reports	(O)
HUD-92417	Personal Financial and Credit Statements	(O)
FHA-20l6F	Supplementary Mortgage Credit Report Analysis of Project Sponsorship	(O)
Format	Accountant's Reports	(O)
Format	Correspondence re: Financial Status of Sponsors, etc.	(C)
Format	Resident Accounts Receivable and Delinquency Analysis Report (223(f))	(O)
Format	Rent Formula for Existing Rental Housing (223(f))	(O)
Format	Replacement Cost Formula (223(f))	(O)
Format	Compute Maximum Amount Permitted to be financed through Promissory Notes in a Refinancing Transaction (223(f))	(O)
Format	Schedule of Washington Docket Contents (Top left hand side of file)	(O)

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NOTES:

* **Fill in the appropriate Form number or form suffix requires for specific project because of Section of the Act.**

Note 1. The original of each application filed for a SAMA or Feasibility Letter, or Conditional or Firm Commitment and of related correspondence must be included.

Note 2. A copy of the SAMA or Feasibility Letter or the Commitment must be included in the Washington Docket, along with copies of any and all correspondence evidencing their extension, amendment, termination or reissuance, increase, or transmittal to the mortgagee. If the SAMA/Feasibility Letter or the commitment were hand delivered, the date of such delivery should be included in a memorandum to "Washington Docket".

Note 3. Check to determine that the insured aggregate agrees with the total disbursements revealed in Form HUD-92023.

Note 4. This form must show each disbursement and its date of advance to the borrower.

Note 5. Include Form HUD-92457 and the survey submitted for each of the following steps, as applicable to the project: initial endorsement, request for final advance and final endorsement for projects with insured advances; and endorsement for insurance upon completion projects and existing projects insured pursuant to Section 223(f).

COMPLETION INSTRUCTIONS FOR THE WASHINGTON DOCKET

1. The Hub/Program Center Director is responsible for the Washington Docket's preparation, HUD closing attorney's review, and transmittal to Headquarters within 30 working days of closing.
2. The Hub/Program Center Director's designee for assembling the Washington Docket is responsible for including applicable project documents by the listed categories and sequence.
3. Add/Delete Documents as appropriate to the project due to governing conditions, e.g., applicable Section of the Act, Insured Advances/Insurance Upon Completion Projects, Sureties used, etc.
4. The list is not intended to be totally comprehensive for all programs and specifically does not fully cover the forms and documents used in conjunction with the cooperative, condominium, y, Title X land development, military housing, elderly housing, and certain projects involving subsidy programs such as Section 8. These programs often involve similar documents and forms with different numbers, and forms and documents unique to the specific program.
5. Use the initial closing check list (Form FHA-1022) to help identify applicable Washington Docket documents. Do not omit any documents that might assist in the financial audit.
6. Strike from the list any document that is not applicable to the subject project, and list those that are additionally required.
7. Separate the Washington Docket by clearly labeled dividers into the following sections: APPLICATION, CONTACT, TITLE, MORTGAGE, CORPORATE, FISCAL, CLOSING, AND MORTGAGE CREDIT.
8. Include only the indicated document type, i.e., original (O), certified (C), conformed copy (CC), duplicate original (DO), and executed or photo static copy (EC), as identified in the list.
9. The Director of Housing Development is responsible for the review, assembly and certification to the completeness of the Washington Docket. Any deviation from the listed requirements must be explained in the certifications.

Appendix 12
Construction Period

12A Instructions for Approval of Initial / Interim Advances

A. Approving Initial/Interim Advances

1. Before advancing any insured mortgage proceeds, funds provided by the mortgagor must be disbursed in full for project work, material, and incidental charges and expenses from other available funding sources in the following order:

   a. All funds from the cash escrow established by the mortgagor for: onsite construction, fees, carrying charges, and financing (front money escrow).
   b. Grant/loan proceeds furnished by a national, regional, or local community service organization or a private source.
   c. Grant/loan proceeds furnished by a government agency or instrumentality or low-income housing tax credit syndication proceeds, or historic tax credits syndication proceeds, or new market tax credit proceeds, need not be fully disbursed before the disbursement of mortgage proceeds as long as the Regional or Satellite Office Director has previously approved a pro-rata agreement for governmental source funds and tax credits per 24 CFR 200.54. In the case of mortgage insurance for construction or rehabilitation, (purchase or refinancing) of a multifamily tax credit project, HUD cannot require the escrowing of tax credit equity or any other form of security, such as a letter of credit.

2. The amount approved for a requested item cannot exceed the amount claimed by the mortgagor. Release of the front money cash escrow may not be targeted to the completion of specific on-site improvements.

3. The Lender states on Form HUD-92403 the cumulative total of all advances made to the mortgagor, including the advance under consideration. Reconcile any discrepancies before recommending approval of the advance.

4. Lender-approved disbursement amounts shall not exceed the sum of the amounts approved:

   a. For mortgage insurance,

b. For funding from the mortgagor's cash escrow; and
c. For funding from available grant/loan proceeds.

5. Project Completion Funding and Disbursement of Tax Credits at Initial Endorsement
The Housing and Economic Development Recovery Act of 2008 (HERA) provides that if the project will receive the benefit of equity from the sale of low-income housing tax credits (LIHTC) syndication proceeds, historic tax credits syndication proceeds, or new markets tax credit proceeds, HUD may not require the escrowing of the equity, or accept any form of security in place thereof, such as a letter of credit. Therefore, the mortgagor will deposit with the MAP Lender cash that is sufficient, when added to the proceeds of the insured mortgage, to assure completion of the project and to pay the initial service charge, carrying charges, and legal and organizational expenses incident to the construction of the project. The Lender may accept a lesser cash deposit or an alternative to a cash deposit, where the required funding is to be provided by a grant or loan from a Federal, State or local government agency or instrumentality.

a. The mortgagee should have provided a disbursement schedule as a special condition to the firm commitment of the remaining outlay of tax credits increments to HUD or provided with the Financial Record of Mortgage Loan, Form HUD-92451.
b. The mortgagor's initial installment of tax credits is twenty percent (20%) of the amount of tax credits allocated for mortgageable costs. The initial installment must be disbursed on the initial requisition.
c. After the first installment of tax credit equity is disbursed at Initial Endorsement, the subsequent contributions should be made at a time and in a manner during construction to ensure that the statutory limitations based on actual costs for the applicable FHA mortgage program are maintained during construction. To maintain the appropriate balance of tax credit equity and mortgage loan proceeds, at each infusion of equity, the equity may need to be utilized before the next disbursement of mortgage loan proceeds.
d. Creation of the disbursement schedule for subsequent contributions is developed between the mortgagor and the Lender. So HUD is aware that there may be tax credit equity pay-ins related to required reserve capitalization and/or Developer's fee scheduled subsequent to construction completion and the achievement of certain investor tax-related benchmarks established per the partnership or operating agreement controlling the mortgagor entity.

B. Architect's Fees

1. The Architect's cash fee is in AIA Document B108, Standard Form of Agreement Between Owner and Architect for a Federally Funded or Federally Insured Project.

2. If there is one agreement for both design and supervisory services, a specific dollar amount must

be indicated for each service.

3. There may be separate agreements for design and for supervisory services.

4. The Architect's design cash fee may be released with the initial advance.

5. Design services provided by others as detailed in the B108 must be supported by contracts approved by HUD during commitment processing before any funds may be advanced
.
6. The Mortgagor's and Architect's Certificate, Form HUD-92403.01, must accompany any request or partial request for advance of the design fee.
7. The Architect's supervisory cash fee is advanced based on a percentage of completion method. The maximum amount that may be approved is computed by multiplying the Architect's supervisory cash fee by the percentage of work completed and approved on Form HUD-92448, then deducting the total of installments previously paid.

8. There is no "holdback" applied to the disbursements approved from the Architect's Cash Fee.

C. For Insurance of Advances, the Carrying Charges, Financing, Legal, and Audit Expense must not exceed their allocations in the Building Loan Agreement. Approve items due or already paid by the mortgagor which are supported by bills or paid receipts. Do not approve costs for interest, taxes and insurance incurred during early start period.

Note: At cost certification, certify to the actual cost without regard to release limitations imposed by the Building Loan Agreement during the Construction period.

1. Interest is to be advanced only when and as earned. The Lender must specify on Form HUD-92403, the period(s) for which interest is requested and the amount for each period.
   a. At initial closing, verify as to whether a 360 or 365-day (or 366, if leap year) factor should be used to calculate interest. Check each interest request for accuracy based on the factor indicated, and the annual interest rate approved at initial endorsement.
   b. The Lender is prohibited from drawing down interest and refunding a portion of the money to the mortgagor. Such practice constitutes a kickback and is not acceptable to HUD and will be treated as a direct mortgage reduction.

2. Taxes. In approving amounts for this line item:
   a. Do not allow amounts which accrued before initial endorsement.
   b. Approve invoices which are payable during construction, even if a portion of the billing period will be after an allowable cutoff date. Necessary adjustments will be made at the time

of cost certification.

3. Insurance. Allow amounts for fire, windstorm, extended coverage, liability, and other risk insurance customarily insured against in the community.
   a. Do not allow amounts which accrued before initial endorsement.
   b. Do not approve invoices/receipts for workmen's compensation and/or public liability insurance which are included in the cost estimate.

4. Mortgage Insurance Premium may not exceed the amount due for 1 year.

5. Initial service charge and permanent lender fees are limited to:

   a. The actual amount paid or the amount stipulated in the Mortgagee's Certificate, Form HUD-2434, whichever is less.
   b. The initial service fee cannot exceed 2 percent.
   c. The combined amount may not exceed 3.5 percent of the mortgage.

   NOTE: If the 3.5 percent included in processing exceeds the financing fee charged by the mortgagee, identify the excess as restricted funds. For bond financed projects it is capped at 5.5 percent. Amounts in excess of 5.5 percent are not mortgageable.

6. Legal fees may be allowed for:

   a. Mortgagor's Counsel to create the mortgagor entity; however, do not allow the cost of legal services to create tax shelters, trusts, etc.
   b. Costs associated with a counsel's review of initial and final closing documents.
   c. Normal interim activities in creating a project.
   d. Documented costs for items in paragraphs 6.a, b, and c above which are due and payable before or at final closing may be approved in the initial advance, provided the limitation in paragraph 6.e below is not exceeded.
   e. Seventy-five percent may be disbursed at initial closing or during construction. The remaining 25 percent may not be released before final endorsement.
      NOTE: Do not allow legal expenses of the MAP Lender or legal services connected with land acquisition, title and recording charges and/or obtaining zoning as they are reflected in the land value. Amounts included in Form HUD-92264 for legal and audit expenses are not blanket allowances, but ordinarily set an upper limit on allowable amounts. Non-typical fees must be borne by the mortgagor, unless in an exceptionally complex case, a higher fee is proven by the mortgagor to be necessary and reasonable. Detailed invoices and/or other documentation is required as to the reasonableness, purpose, necessity, and proper

classification of all items in the category.

7. Organizational Fees:

   a. The amount included in the replacement cost estimate for organizational fees is an allowance to reimburse the borrower for costs incurred to:
      (1) Initiate a project;
      (2) Organize the mortgagor entity;
      (3) Organize its planning, financing and construction, and
      (4) Control and manage construction by a hired third party, through endorsement
      (5) Third Party costs (Appraiser etc.)
   b. Release based upon the following:
      (1) Disburse 75 percent at initial closing.
      (2) .
      Disburse the remaining 25 percent at final endorsement.

   Note: Lender's Third Party Costs, reflected in Organization Costs are exempted from the 65% rule. The rule only applies to the mortgagor's organizational costs.

   c. This allowance may not be used to subordinate the cash requirements for closing.
   d. At cost certification allow only the amount included in Section G of Form HUD-92264 for organizational fees, unless fully supporting documentation is submitted by the mortgagor which justifies the need for and reasonableness of the additional expenditure. Any costs incurred in excess of this allowance are not eligible for recognition in processing a mortgage increase or the equity computation on Form HUD-2580, Maximum Insurable Mortgage.

8. Audit fees associated with obtaining an accountant's opinion of the mortgagor's cost certification cannot be advanced until final endorsement.

9. Title and Recording. Approve amounts typically incurred for:

   a. Title search and policy at the time of initial endorsement;
   b. Recording fees at initial endorsement;
   c. Mortgage and stamp taxes;
   d. Survey recording fees;
   e. Updating title policy during construction;
   f. Final title policy and recording charges; and
   g. Legal fees incurred with any of the above.

   ** Do not fully disburse these funds at initial endorsement. Ensure that sufficient funds are

maintained in the account to cover title and recording costs required at final endorsement. This may require the approval of an amount less than that requested in the initial draw.

** Do not disburse funds for title and recording cost associated with acquisition of the land or property.

** Legal, organizational, title, recording costs and taxes incurred in connection with the site purchase may be added to the cost of the land in establishing the latest arms' length purchase price.

10. Developer's fee is provided in the estimated replacement cost of Sections 220, 221, 231 projects involving non-profit mortgagors. A portion of the fee may be used to pay for transactional costs associated with developing the project including but not limited to:

    a. Reduction of the estimated closing costs of the project;
    b. Staff salaries;
    c. Non-profit working capital deposit;
    d. Relocation expenses;
    e. Operating deficit escrow;
    f. Financing fees over and above the 3.5 percent included in the estimated replacement cost of the project;
    g. Environment studies; and
    h. Housing Consultant services provided by either in-house staff or contractor.

11. Tap fees, soil testing and other fees. Approved disbursement must be fully supported and is not to exceed the amount estimated in the general contractor's or mortgagor's list of other fees for requested items. Approve disbursement only for items actually due.

12. The contingency reserve is included in the replacement cost of substantial rehabilitation projects.

    a. Use the contingency reserve for:
        (1) Unforeseen costs of necessary changes approved by the HUD Office.
        (2) Unanticipated soft costs associated with extension of time change orders approved by the HUD Office.
    b. Changes classified as betterments by Architectural and Cost staff is ineligible for funding.

13. Third-Party Lender Expenses: Fees to be paid for third-party review costs of the Lender including but not limited to Architectural reviews, Cost reviews, appraisals, and market studies.

14. At initial endorsement, HUD fees for examination and inspection.

15. Sums allocated to acquisition cost of land or existing building.

D. Allocation of Cash Available to the Mortgagor:

1. Allocation of cash available to the mortgagor listed on line 42 of Form HUD-2283, Financial Requirements for Closing (excess mortgage proceeds) may be allocated to the following items:

a. New Construction.
(1) Land value equity can be applied to fund operating deficit or working capital escrows, or other cash requirements at initial endorsement. After Initial Endorsement, additional draws from mortgage proceeds associated with the excess land value will only be considered after the designated escrow accounts have been fully exhausted. To HUD's estimate of the "as-is" value of land or the actual latest arms' length purchase price, whichever is less. The latest arms' length purchase price may include the following costs incurred in connection with the site purchase:
(a) Legal fees associated with negotiations for acquisition of land, zoning, and examination of title on the purchase or defense of title after purchase.
(b) Prepaid special assessments.
(c) Interest on bridge loans to purchase property after the date of submission of the initial application for mortgage insurance.
(d) Taxes.
(e) Cost of improvements made to the project site by the sponsor/mortgagor.
(2) Cash escrow to cover offsite construction cost.
(3) Cost of any demolition reflected in the Fair Market Value of Land. Payment is approved as demolition progresses.
(4) Construction and/or permanent loan discounts required to be paid at initial closing.
(5) Cash to cover interest shortfall escrow, working capital deposit(s) (i.e. 2% escrow and 2% construction contingency), initial operating deposit, non-realty items, and any permanent loan discounts not required to be paid at initial closing.
(6) Remaining balance may be used to fund any approved change orders or held until final endorsement.
b. Rehabilitation of Existing Construction.
(1) HUD's estimate of the "as-is" value by market comparison or the mortgagor's acquisition cost/existing indebtedness, whichever is less.
(2) Items a (1) through (6) above.

E. Restricted Excess Mortgage Proceeds:

1. Restricted excess mortgage proceeds are those excess mortgage proceeds determined not to be

available to the mortgagor during construction, i.e., difference by which the HUD estimate exceeds contract amounts.

a. These funds cannot be used to satisfy any escrow requirements and must be held until final endorsement.
b. Identify these funds in an unused column of Form HUD-92451 as restricted funds.

F. Lender Duties for Processing Form HUD-92403. The Lender must review and approve Form HUD-92403 conducting the following major responsibilities:

1. Reconcile any discrepancies between the cumulative total for all advances, including the advance under consideration, and conclusions reached in the processing before recommending the advance for approval.
   a. Enter any required adjustments in Column B and note, "No Adjustment Necessary, Except as Indicated," or "No Adjustment Necessary," as appropriate.
   b. Enter the approved amount in the "Certificate of Mortgage Insurance" on the face of the form, and where the request is reduced; explain the disallowance on the form's reverse side.

2. Determine monthly that advances are proportionate to construction progress.
   a. Require the Lender's underwriter to advise you where advances for "soft costs", i.e., financing and carrying charges, are in excess of work progress as shown by the most current Progress Schedule accepted by the HUD and the percentage of project completion reflected on Form HUD-92448.
   b. Take action where the mortgage is not in balance due to the fault of the contractor.

3. The amount advanced for construction retainage items must be adjusted for a 10 percent holdback of the construction contact amount from each advance, if the follow conditions are met:
   a. The Contractor has no identity-of-interest with the owner greater than a 5 percent equity interest,
   b. If applicable, prior written consent from the surety company must be attached to the request for release, and
   c. There are no questions regarding the contractor's performance concerning the quality of work, compliance with the contract and any change orders or work in progress.

   Assuming these conditions are met, the existing standard of 10% retainage will be required until 50% completion. After that, the requirement will be 5% retainage until 75% completion and 2.5% retainage until the loan reaches final endorsement

4. Secure approval from HUD for any advance requesting release of any portion of the contractor's 10 percent holdback.

5. Maintain a record of approved disbursements on Form HUD-92451, Financial Record of Mortgage Loan Transaction.

G. Certificate of Mortgage Insurance: (Prepare when the advance is eligible for approval.)

1. The approved sum is the total for the Contractor's Requisition and other eligible line items.

2. The total approved for any item must not exceed the amount allocated to the item unless the Lender submits a written request to HUD for permission to reallocate funds between line items.

3. The sum approved for mortgage insurance is the amount approved for advance less any funds remaining in the front money escrow and any grant/loan proceeds.

4. For interim advances, the Lender is to prepare this Certificate and sign for HUD, to increase the amount of mortgage insurance.

5. After signing Form HUD-92403 in the space for the Authorized HUD Official, and signing Form HUD-92448 for the Director of Housing Development, the Lender sends a copy of Forms HUD-92403, HUD-92448, HUD-92451, and supporting documentation to HUD.

H. HUD Monitoring of Interim Draws. The HUD Single Underwriter will monitor interim draws. If a problem is encountered during an interim draw, the HUD Underwriter will bring the problem to the, Regional or Satellite Office Director's attention in order to:

1. Modify the next draw, or

2. Withdraw the Lender's authority to approve advances.

12B Contractor's Monthly Requisition and Related Matters

A. Contractor's Monthly Requisition must be made on Form HUD-92448. The Contractor's Prevailing Wage Certificate on the form's reverse side must be signed. (The HUD Construction Analyst should contact HUD Labor Standards and Enforcement staff if there are any outstanding questions regarding Davis-Bacon weekly payrolls and/or possible underpayment of Davis-Bacon prevailing wages.) The HUD Inspector reviews for acceptability. If acceptable, forward to Lender's mortgage credit analyst for further processing.

1. Eligible items for inclusion on Form HUD-92448.

   a. Acceptably completed onsite work, i.e. in full compliance with contract documents;

   b. Materials acceptably stored onsite itemized by quantity and cost with supporting invoices;

   c. Components acceptably stored offsite, where provisions are made at initial closing in accordance with Chapter 12, and requirements of Paragraph B below are met.

   d. The Architect determines amounts due by job site observation of acceptable work. (The HUD Inspector makes the determination if there is no Architect.)

   e. The HUD Inspector:

      (1) Checks the Architect's determination using Form HUD-2328, Schedule of Values, and trade item cost breakdowns (guides) to assure that amounts are reasonable for acceptable work and that funds remain for unacceptable and incomplete work;

      (1) Spot checks the count of stored onsite items, determines that storage is acceptable, and assures that amounts are reasonable for approval;

      (3) Checks the invoice and certificate for stored onsite items, and approves payment after assuring that funds remain for transportation to the site and erection.

2. Ineligible items for inclusion on Form HUD-92448.

   a. Noncompliant work and work supported or dependent upon noncompliant work. Work changes completed in anticipation of future change order approvals are noncompliant work.

   b. Additive change orders. Refer all change orders to HUD for processing and payment.

   c. Offsite work. See Paragraph C below for the contractor's requisition of payment, and release of funds to the mortgagor for acceptably completed offsite work.

3. Modification of Contractor's Requested Amount.
Where there is disagreement with the requisition, the HUD inspector may modify the contractor's requested amount by:

   a. Entering trade item modification(s) on Form HUD-92448;

   b. Explaining the modification(s) in the HUD Representative's Trip Report, Form HUD-95379.

   c. Completion of Form HUD-92448, Items (1) through (13) are made by the Lender.

4. Supporting Documentation.

   a. In order to help the HUD Inspector reconcile differences with contractor claims, the contractor will submit receipts, bills of lading for onsite deliveries, billings for onsite work, evidence of onsite payrolls, etc.

   b. Surveys may be submitted with each contractor's requisition for improvements not previously shown on a survey, especially regarding:

      (1) Where the siting of structures or setting of finished floor elevations are questioned;

      (2) Location of materials stored onsite.

   c. A survey is required for the next to last advance.

B. Components Stored Offsite.

1. Eligible Building Components. Only "building components" qualify for insurance of advances when stored offsite.

   a. An "eligible building component" is a manufactured or pre-assembled building element which, by reason of bulk, size or weight, vulnerability to weather conditions or lack of space at the site, is impractical to store at the site.

   b. Eligible building components comprise, but are not limited to:

      (1) Precast concrete floor, wall, and roof panels;

      (2) Assembled bath and/or kitchen core units;

(3) Fully fabricated structural steel beams and columns.

c. Items that are not eligible "building components" are (but not limited to): kitchen appliances, carpeting, wood roof trusses, etc.

2. Basic Requirements for insured advances.

a. The Lender must have agreed to the necessary provisions at initial closing. See Chapter 12 Sections 12.5 and 12.20

b. The Construction Contract must include the rider "Amendment to the Construction Contract for Components Stored Offsite." See Forms Appendix.

c. Payments are limited to the invoice value of the components.

d. The contractor and its surety bear full responsibility for fraudulent claims for payment and fraudulent disposition of such payments. Safeguards are to protect against premature payments, against materials that do not meet contract requirements and against losses not covered by insurance.

e. The construction contract must be secured by a 100 percent performance and payment bond.

f. Components must be stored at a location approved by the Lender and HUD.

3. Lender's Responsibilities.

a. File Uniform Commercial Code (UCC)-1, financing statements with the proper office in the proper jurisdiction.

b. Make whatever additional filings are necessary to maintain a first lien on the components until they are incorporated into the building(s).

c. Release the financing statement filings as appropriate.

d. Unconditionally certify by letter to HUD that the security instrument(s) is (are) a "first lien" on the components covered by the instrument(s). The Lender's certification must be supported by an opinion from the Lender's counsel.

e. In the event of default under the mortgage, either assign its security interest to HUD or acquire title through foreclosure to the components intended for use or incorporation into the building(s) and convey title to HUD.

4. General Contractors' Responsibilities.

a. All direct and indirect costs associated with the storage and transportation of components stored offsite;

b. Obtaining a risk of loss insurance policy which covers the components. Evidence of this policy must be submitted to the Lender prior to approval of any advance for components stored offsite;

c. Assurance that there is a valid security agreement that is a first lien on the components.

5. Contractor's Requisition. All requests for payment for components stored offsite must be submitted on Form HUD-92448, Contractor's Requisition, accompanied by the following:

a. A statement from the mortgagor's Architect certifying that:

(1) He/she has visited the storage site and inspected the components for which payment has been requested;

(2) The components are in good condition and they comply with the contract requirements;

(3) The components are properly stored and protected;

(4) The components are segregated, in an easily identified manner from other materials stored at the same site and are marked for identification;

b. A bill of sale accompanied by an itemized invoice transferring title of the components to the mortgagor;

c. A copy of the security agreement provided to the mortgagee by the mortgagor;

d. A copy of the financing statement or statements filed by the Lender in accordance with the Uniform Commercial Code;

e. A warrantee from the Lender that the security instruments represent a first lien on the

building components;

f. An opinion from the Lender's attorney that he/she has reviewed the security agreement and associated documents relative to the building components and that the security agreement creates a valid security interest in the collateral and that when the financing statement or statements is (are) duly filed, the secured party will have a first lien.

C. Offsite Construction. Separate from work done under the Construction Contract for the project. Where offsite work is completed by the mortgagor, rather than by a municipality or utility company, a separate construction contract is required, even if completed by the project contractor. Offsite work must also be funded from sources outside the mortgage, except that an escrow for its completion may be funded from available excess mortgage proceeds.

1. Completion Monitoring is performed by the HUD inspector and reported on the Trip Report, Form HUD-95379. See HUD Procedures.

2. Contractor's Requisition is by letter to the mortgagor. Do not use Form HUD-92448 to reflect the value of acceptably completed offsite work, even if completed by the project contractor. Request for Approval of Advance of Escrowed Funds, Form HUD-92464, is used.

4. Construction Changes for offsite work must be requested by letter. Form HUD-92437, Request for Construction Changes, may be used as a guide, but the form itself must not be used for offsite change orders.

12C Amendment to the Construction Contract for Payment for Components Stored Offsite

A. The undersigned as Contractor and as Owner will abide by the following conditions to induce the Commissioner to release mortgage proceeds for the payment of components stored offsite:
1. The components stored offsite that will be recognized for payment under Article 5 of the contract are those listed and approved by HUD as an appendix to the Contractor's and/or Mortgagor's Cost Breakdown, Form HUD-2328, attached to the Contract as Exhibit "A". The appendix must provide an inventory of the "stored components" and a breakdown of the line item of which the stored components are a part. The breakdown must state:

a. Cost of Components (Invoice Value),

b. Cost of transportation form the offsite storage location to the construction site,

c. Cost of Installation, and

d. Costs of any other items included in the line item.

2. The Contractor is responsible for:

a. All direct and indirect costs associated with the storage and transportation of components stored offsite.

b. Obtaining a risk of loss insurance policy which covers the components during storage, in transit and until installed at the project site. The policy must name the Mortgagor, the Mortgagee and the Commissioner as their interest may appear. Evidence of the existence of this insurance must be submitted to HUD prior to the approval of any advance for components stored offsite.

c. Assuring to the satisfaction of HUD proper identification and segregation of components while in storage and protection of components while in storage and transportation.

d. Securing from the mortgagor or mortgagee all necessary security agreements, copies of financing statement, and documentation pertaining to first lien warranties, and submitting them with the request for payment.

e. Providing corporate surety bonds for on-site improvements on Form HUD-92452M for payment and performance bonds, each equaling 100 percent of the HUD estimate of construction or rehabilitation cost.

3. All requests for payment for components stored offsite must be submitted by the Contractor on Form HUD-92448, Contractor's Requisition, accompanied by the following:
   a. A statement from the Architect certifying that:

      (1) He/she has visited the storage site and inspected the components for which payment has been requested,

      (2) The components are in good condition and they comply with the contract requirement,

      (3) The components are properly stored and protected,

      (4) The components are segregated, in an easily identified manner from other materials stored at the same site and are marked for identification.

b. A bill of sale accompanied by an itemized invoice transferring title of the components to the mortgagor.
c. A copy of the security agreement provided to the mortgagee by the mortgagor.
d. A copy of the financing statement filled by the mortgagee in accordance with the Uniform Commercial Code.
e. A warranty from the mortgagee that the security instruments requested a first lien on the building components.
f. An opinion from the mortgagee's attorney that he/she has reviewed the security agreement and associated documents relative to the components for which advance are sought and that the security agreement creates a valid security interest in the collateral and that when the financing statement is duly filed, the secured party will have first lien.

4. Restrictions.

a. Payments for components stored offsite shall be limited to the cost of components (Invoice Value) identified in the HUD approved appendix to the Contractor's and/or Mortgagor's Cost Breakdown, Form HUD-2328, attached to the Contract as Exhibit "A," and shall be subject to a 10 percent holdback.

b. In no case shall a payment be approved for components stored offsite to a contractor whose performance, in the judgment of the Regional or Satellite Office Director, is marked by serious deviations from the contract documents.
c. At no time may the outstanding amount of insured advances for components stored offsite exceed 50 percent of the total estimated construction costs a specified in the construction contract.
d. The minimum amount for any single advance is $10,000.

OWNER CONTRACTOR

_____ _____

_____ _____

DATE: _____ DATE: _____

12D Problems Before Final Closing

A. General.

1. Additional attention must be given to projects that are experiencing difficulties that may lead to default before reaching final closing. Diagnose problems and take immediate measures during critical periods of project construction to avoid foreclosure or assignment, and to avoid serious hardship to mortgagors, contractors and mortgagees.

2. Prompt action must be taken to correct problems as they arise. Where requested relief cannot be granted for statutory, regulatory or administrative reasons. However, a prompt and final disapproval must be given.

B. Problems leading to default include:
   1. Construction problems due to:
      a. Work stoppage,
      b. Contractor abandonment of job,
      c. A change in the contractor, owner or architect during construction,
      d. Construction defects untreated for 30 days, and
      e. Extended periods of bad weather, strikes, etc.

   2. Financing problems due to:
      a. Contractor's inability to complete because of under financing.
      b. Overruns in carrying charges due to circumstances beyond the contractor's and mortgagor's control.
      c. Overruns in construction hard costs caused by:
         (1) Mandatory changes,
         (2) Voluntary changes, and
         (3) Price escalation.

   3. Inadequate income due to:
      a. Underestimated operating expenses,
      b. Overestimated rents and long-term occupancy levels, and
      c. Inadequate or lack of operating deficit.

C. Defaults during construction. HUD staff will consider alternative measures that can be offered to avoid foreclosure and hardship to all concerned parties regardless of the cause.

1. Request field counsel to provide legal guidance and participate in meetings to discuss the consequences of default and possible preventive measures.

2. Telephone Lender.
   a. Speak to a responsible official and obtain an opinion on the cause of default, methods of cure and probability of cure.
   b. Advise the Lender:
      (1) To preserve its rights against the surety by giving prompt oral and written notification of the contractor's lack of performance or default, and by demanding performance under the contract of surety (see Paragraph 3. below), and
      (2) To consult with its attorney and to secure HUD approval before entering into any formal or informal agreement with the surety.

3. Notification of Surety. Lender must send a notice to the bonding company with a copy to the general contractor for all conditions affecting the bonding company's interests. The notice should be sent to the bonding company's principal office, and its regional or branch office, attention: Claims Department.
   a. Conditions requiring notification include:
      (1) A sustained work stoppage,
      (2) Nonpayment of subcontractors, suppliers, workmen, etc., and
      (3) Failure to maintain satisfactory progress.
   b. Conditions that require obtaining surety's approval in advance include:
      (1) Approving a change order or aggregate of change orders that exceed 10 percent of the contract price, and
      (2) Extension of the bond by surety where there is a compelling reason why the contractor cannot remedy a latent defect before the bond's expiration date.
   c. The mortgagor is responsible for requesting surety's performance, the Lender must act to protect its and HUD's interests, and HUD must take the final action to protect its interests under conditions in paragraph a. above.

4. Advise the mortgagor of the contractor's violation, and/or lack of performance by the architect or mortgagor, and give 30 days for correction.

5. Assess the situation by considering:
   a. Percentage of construction complete,
   b. Occupancy (including current estimates of income, expenses and occupancy projections),
   c. Type of assurance of completion (bonds, cash escrow),
   d. Status of escrow deposits,
   e. Un-drawn amount of letters of credit (including working capital), and
   f. Any other pertinent information.

6. HUD staff should meet to assess available options and prepare a position to present to interested

parties. The meeting should include the Reginal or Satellite Office Director, Field Counsel, and a representative from Asset Management. Separate meetings by staff with one or more of the non-HUD parties may be helpful before holding a general meeting with all interested parties.

7. Convene a general meeting of all interested parties with either a direct or indirect interest in the project to explain the consequences of default. Hold such meetings even where there is no possibility of HUD granting a mortgage increase or other form of relief.
   a. Emphasize that all non-HUD participants must make a meaningful contribution before HUD will assume any additional risk. Such contributions include:
      (1) Infusion of new capital through adding partners, syndication or other investments, and/or
      (2) Concessions by the Lender to avoid a loss (e.g., deferral or forgiveness of interest, taking a partial assignment of the partnership interest, etc.).
   b. State firmly and unequivocally that the non-HUD parties must work out the remedy if the default is to be cured.
   c. Clarify that unless a written firm proposal for a workout is developed; assignment or foreclosure of the mortgage will be the consequence.
   d. Address the remedies covered in paragraph D below, as appropriate.

8. Extension of Lender's election period to assign a loan for insurance benefits should not be granted where a workout proposal is not developed. Thirty days should be the maximum extension in most cases.

D. Remedies to avoid/cure defaults.

1. Call on the Bonding Company to perform, where applicable.
   a. Request field counsel to communicate with surety where it fails to perform to terms of the bond, and
   b. Where surety refuses to honor its obligations after communications by field counsel, request the Department of Treasury to initiate procedures for removal of the surety from the Treasury Circular 570. List the surety, contractor, and project; describe the particulars, including nature of the problem, length of delays and actions taken by mortgagor, mortgagee and HUD to secure surety's performance; and attach a copy of the bond(s). Mail to:

      U.S. Department of Treasury
      Surety Bond Branch
      Financial Management Service
      Washington, D.C. 20227
   c. Distribute copies of the letter to the Washington Docket, Field Office Docket and Director, Office of Business Products.

2. Lender or Title Company control payments through issuance of two- or three-party checks to assure that disbursed mortgage proceeds are applied for the intended purpose and not diverted to other uses.
   a. All money drawn for construction must actually be paid to subcontractors, suppliers, and workers on the job.
   b. Money drawn for specified purposes, e.g., architect's fees, insurance premiums, taxes, etc., must not be diverted to other uses.

3. Transfer construction funds to soft cost expenses, i.e., keep the mortgage in balance. The liquidated damages clause in the construction contract provides a source of funds for overruns in interest, taxes, MIP and insurance (soft costs) that are due to construction delays which are the general contractor's fault.
   a. Authorize the transfer of funds from the construction contract for payment of soft cost overruns, where it becomes apparent that the scheduled date for completion cannot be met due to the fault of the contractor. The amount of transferred funds must be reflected on subsequent Forms HUD-92448, as a decrease to item 7, Sum of Cost Breakdown Items Plus Inventories of Materials.
      (1) The transfer of funds will get the attention of the contractor, surety (if any), mortgagor and mortgagee, as well as address any financial necessity.
      (2) Notify the contractor, surety (if any), mortgagor and mortgagee by certified mail of the amount and the reason for the transfer.
      (3) Require written acknowledgement of the notification from the mortgagee and surety, if any.
   b. Computation for funds transfer from the construction budget. When the amount originally allocated to interest on Form HUD-92451, Financial Record of Mortgage Loan Transaction is exhausted or near exhaustion, request the Architect and HUD representative to estimate the earliest date of construction completion. Use this date to:
      (1) Set an assumed completion date.
      (2) Compute the minimum liquidated damages for the period between the completion date specified in the construction contract, as adjusted by approved change orders, and the assumed completion date.
      (3) Transfer the computed amount from Column J, Construction, to Column G, Carrying Charges and Financing, on Form HUD-92451.
         (a) Allocate full amount to interest, initially.
         (b) Only use funds for MIP, taxes and insurance after funds for these line items, and the working capital escrow have been exhausted.

4. Use of contractor's holdback, subject to provisions of paragraph 2 above.

5. Infusion of new money. See Paragraph C.7.a above.

6. Release assurance of completion cash escrow where used in place of a performance and completion bond for the construction contract.
   a. The Regional or Satellite Office Director may authorize such release, where:
      (1) The project is nearly complete,
      (2) Project completion and final closing may not be attainable with the remaining mortgage proceeds alone or in combination with the mortgagor's other available assets, and
      (3) Release of the funds will offer an excellent chance for project completion and final closing with clear title.
   b. The entire escrow may be released under such circumstances except for 2-1/2 percent of the contract, which amount is needed to fund the latent defects escrow, subject to:
      (1) The Lender must take steps to assure that all required payments by the contractor have been made or will be met to preclude uncovered liens, and
      (2) Disbursement of such funds and mortgagor's additional contributions must be under strict control of the mortgagee or a title company.
   c. Distribute the Regional or Satellite Office Director's written authorization for release of the funds as follows: original to the Washington Docket with copies to the Field Office Docket, Closing Attorney, and Mortgage Credit Control File.

7. Deferment of principal payments where the project is complete and ready for occupancy but cannot go to final closing.

8. Mortgage increase may be provided as discussed in MAP Chapter 13 Section 13.23, where economically feasible. Where the contractor is changed because the original contractor becomes bankrupt, abandons the job, or the contract is terminated due to inadequate contractor performance, any mortgage increase must also be processed in accordance with the following:
   a. Reprocess the project.
      (1) Use rents, expenses, and occupancy ratios current as of the date of reprocessing.
      (2) Take into account the new builder's cost to complete, amounts expended to date, and any increase in carrying charges, financing, etc., due to increased mortgage amount and/or extra construction time over the original estimate.
   b. Mortgage increase conditions.
      (1) The mortgagor provides any required front money.
      (2) Any recovery from the original contractor or surety must be applied first to reduction of the mortgage on a mandatory basis,
      (3) The balance of the net recovery after legal expense, if any, may be used to indemnify the mortgagor, Lender, and others, and
      (4) A legal document providing for paragraphs (2) and (3) above must be included as a rider to the Regulatory Agreement and Mortgagee's Certificate at final closing, where such recovery has not been made before and considered in the cost certification.

9. Reanalyze the Cost Certification for inclusion of all allowable costs where final closing has not occurred.

10. Working capital deposit balance.

11. A Section 223(d) Operating Loss Loan where eligible.

E. Default report before final closing, Form HUD-58047. Report monthly on the default and describe the plan for curing it.

1. If default cannot be promptly cured, provide a current estimate of income, expenses and occupancy projections.

2. Report distribution:
   a. Director, Office of Multifamily Production, and Director, Office of Asset Management and Portfolio Oversight, within two weeks of default.
   b. Asset Management staff for use with the Multifamily Default Status Report, Form HUD-92426.

F. Decision to foreclose where the contractor becomes bankrupt, abandons the job or the contractor is terminated due to inadequate contractor performance. Encourage the Lender to consider foreclosure and tender of the unfinished property to HUD, where the Regional or Satellite Office Director agrees in writing that it would be advantageous to the insurance fund, e.g., instances where interruption of construction occurs at an early stage and market and/or economic conditions have worsened to preclude attaining project viability. Consider surety's position in reaching this determination.

1. Lender tenders unfinished property. Where the Regional or Satellite Office Director agrees in writing that accepting conveyance of such unfinished property would be more advantage to the insurance fund than pursuing project completion:
   a. Promptly convey the decision to all interested parties.
   b. Request field counsel to maintain close communication with the Lender’s and mortgagor's counsel and seek advice from the Office of General Counsel as necessary.

2. Estimate completion cost for the unfinished project to support a subsequent damages claim against the surety for damages due to contractor's failure to perform.

3. Document distribution. Original documents, including the Regional or Satellite Office Director's authorization to accept the unfinished project, in the Washington Docket with one copy to the Field Office Docket, Field Counsel and Mortgage Credit Control File.

G. Recovery of mortgage proceeds. In the event of a mortgage insurance claim before final closing instruct the Lender's to establish communications with the Office of the FHA Comptroller regarding the surcharge of insurance benefits.

H. Tax-exempt bond funded project default before final closing. See MAP Chapter 11 for additional information and riders included in the Note and Lender's Certificate in regards to a default.

1. Prepayment lock-out and/or penalty override. Consider exercising HUD authority to override Lender's prepayment lock-out and/or penalty provisions only where:
   a. The project mortgagor has defaulted and HUD has received notice of such default, in accordance with 24 CFR Section 207.256,
   b. HUD determines that the project is experiencing a net income deficiency that is attributable to more than management inadequacy or lack of owner interest, and that the deficiency's magnitude leaves the mortgagor unable to make required debt service payments, pay all project operating expenses and fund all required HUD reserves,
   c. HUD finds that there is a reasonable likelihood that the mortgagor can arrange to refinance the defaulted loan at a lower interest rate or otherwise reduce the debt service payments through partial prepayment, and
   d. HUD determines that refinancing the defaulted loan at a lower rate or partial prepayment is necessary to restore the project to a financially viable condition and to avoid an insurance claim.

2. Deadline extension for filing claim intentions. Lender must request a three-month extension of the election notice filing deadline in the event of a default within the term of the prepayment lock-out and/or penalty. See MAP Chapter 11 and the Lender's Certificate.
   a. Analyze the project's financial condition and assess the feasibility of arranging a successful refinancing.
   b. Recommend that the Regional or Satellite Office Director grant the 3-month extension or a shorter extension of the election notice filing deadline, based upon positive conclusions reached by the analysis in paragraph a. above.
   c. Do not consider additional extensions of the election notice filing deadline, unless specifically requested by the Lender.

I. Grant/loan project with a pro rata disbursement agreement that defaults before completion of construction. The governmental entity must disburse the remaining funds where the request for funds remains in the same ratio as previously authorized.

Appendix 13
Cost Certification

13A Specimen Letter - Agreement Authorization Reopening of Mortgage Transaction

(Insert Date)

(Insert Mortgagee's Name and Address)

(Insert Project Number)

Madam/Gentlemen:

We have favorably considered your request to reopen this mortgage transaction to increase the maximum insurable mortgage amount. An increase of $_____ is approved making the new maximum mortgage amount $_____. This increase will be insured pursuant to Section _____ of the National Housing Act, and Regulations there under applicable to the original mortgage, provided all legal instruments are modified in a manner satisfactory to the HUD closing attorney assigned to the case. It is understood that no portion of this increase will become available before final closing.

(Insert the amount of additional fees required and the time of payment thereof in accordance with appropriate Regulations.)

Please signify your acceptance of this agreement to modify by signing all five (5) copies of this letter and returning the original (and electronic version of the originally signed letter) of them promptly to *(Insert name and address of the the Regional Director or Satellite Office Director, of the Office of Multifamily Housing Production)*.

Sincerely,

Accepted HUD By: _____

Name: _____

Title _____

Accepted Mortgagee By: _____

Name: _____

Title _____

13B Agreement Authorizing Deferment of Principal Payments for Level Annuity Monthly Payment

(Insert Date)

(Insert Mortgagee's Name and Address)

(Insert Project Number)

Madam/Gentlemen:

This letter will serve as our approval of the request for a (further*) stay in the commencement of principal payments on the mortgage covering the subject project. In this connection, the following stipulations are pertinent:

1. It is agreed that principal payments shall be (further*) deferred for the period beginning _____ to _____.

2. The Level Annuity Monthly Payment (Principal and Interest) required to amortize the amount of $_____ at _____% in _____ payments from _____ through _____is $_____.

These changes will not affect the eligibility of the mortgage for insurance under the provisions of Section _____ of the National Housing Act, as amended, and applicable FHA Regulations, provided that before final endorsement of the Mortgage Note, the Building Loan Agreement, the Construction Contract and the mortgage instruments are all modified in a manner satisfactory to the Department of Housing and Urban Development's closing attorney assigned to the case.

In the event of a subsequent claim against the mortgage insurance, insurance benefits will be computed on the basis of the date of default as determined under the terms of the modified mortgage. For the purpose of determining such date, all funds collected during the period of the

modification agreement and before your election to claim mortgage insurance benefits will be applied to full monthly installments in the order in which they fall due under the mortgage as modified. The date of default will be the due date of the first installment not fully paid when the funds are so applied.

*** Insert when applicable.**

"Evidence your acceptance of this agreement to modify by signing all five (5) copies of this letter in the space provided and returning original (and electronic version of the originally signed letter) of them to (Insert name and address of the Regional Director or Satellite Office Director, of the Office of Multifamily Housing Production)."

Sincerely,

Accepted HUD By: _____

Name: _____

Title _____

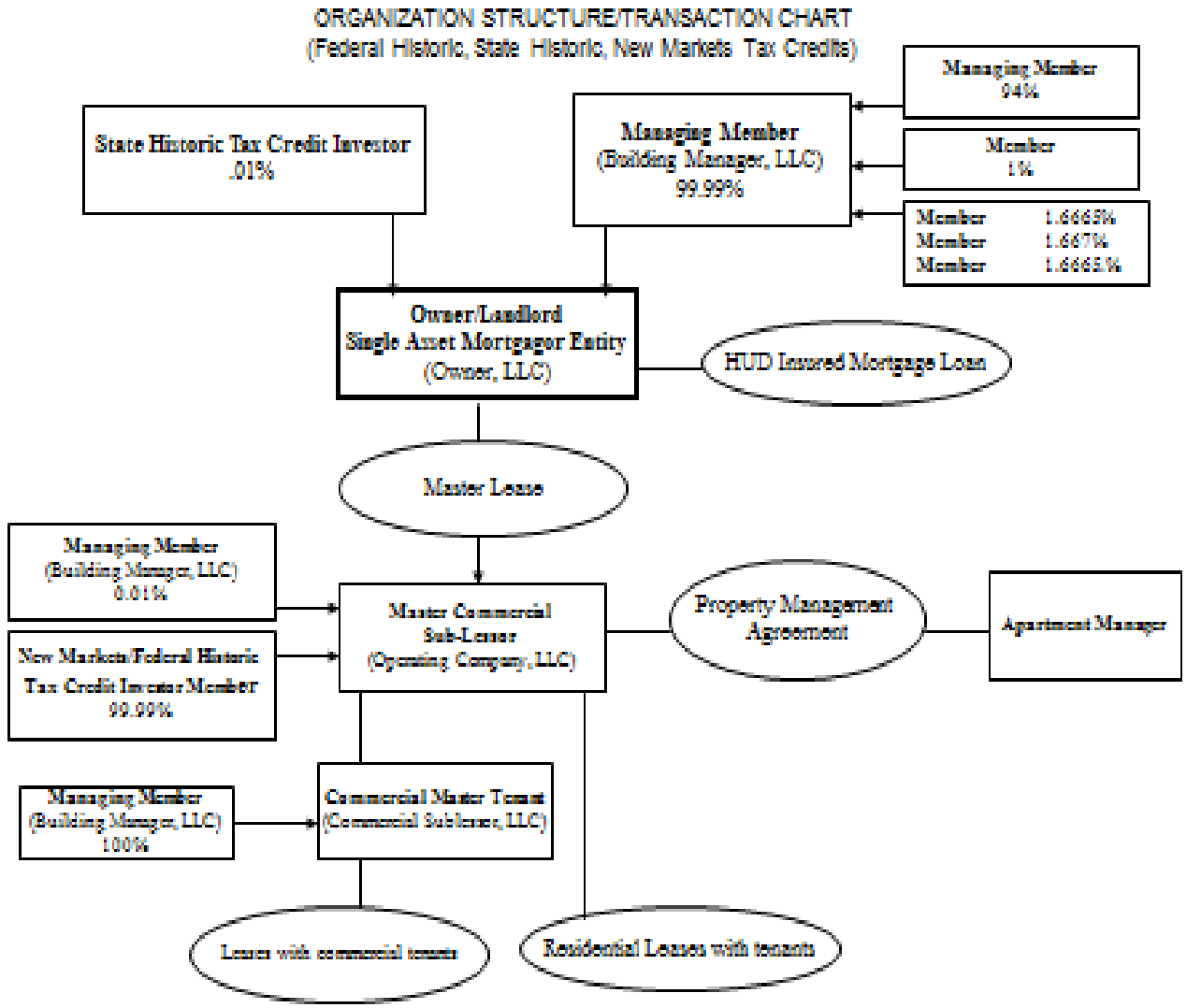
Accepted Mortgagee By: _____

Name: _____

Title _____

Appendix 16 Organizational Chart for Lease Structure

16 Organizational Chart for Lease Structure



16A Sample Master Lease Ownership Structure

