

**Request for Permission to  
Commence Construction  
Prior to Initial Endorsement  
for Mortgage Insurance**  
Section 232

**U.S. Department of Housing  
and Urban Development**  
Office of Residential  
Care Facilities

OMB Approval No. 2502-0605  
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**Public reporting** burden for this collection of information is estimated to average 0.5 hours. This includes the time for collecting, reviewing, and reporting the data. The information is being collected to obtain the supportive documentation which must be submitted to HUD for approval, and is necessary to ensure that viable projects are developed and maintained. The Department will use this information to determine if properties meet HUD requirements with respect to development, operation and/or asset management, as well as ensuring the continued marketability of the properties. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

**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.

TO THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD):

Project Name:  
FHA Project Number:

The undersigned proposed borrower and contractor in connection with the subject project request HUD's permission to commence construction prior to the initial endorsement of the Note for insurance ("initial endorsement"). This request is referred to as the "Request."

It is agreed that in consideration of such permission being granted, it will be upon the following terms and conditions:

1. All construction prior to initial endorsement is to be at the risk of the proposed borrower.
2. In order to permit the assignment of a construction inspector, HUD will be notified of the date when construction is to commence, which, in the case of a project involving new construction, is defined as that date upon which initial site clearance and preparation and/or excavation is begun, provided that such site clearance and related rough grading, etc., continues without appreciable delay from such date and is pursued diligently. Such facilities as are required for the construction inspector will be made available.
3. The contractor and any subcontractors who perform any work or services on the project will provide the proposed lender with a release of liens at initial endorsement.
4. **No construction, site work, or demolition has commenced.**
5. **No construction, site work or demolition will be commenced on this project until HUD has approved of the Request.**
6. No construction shall be commenced except pursuant to a current prevailing wage determination by the Secretary of Labor.

7. A non-refundable inspection fee shall have been paid to HUD (such fee to be based on the estimated cost of the work to be performed prior to initial endorsement) and any balance of the inspection fee as set forth in such commitment shall be paid on or before the date on which the proposed borrower accepts such commitment (or accepts the amended and restated commitment for two-stage processing).
8. There is submitted herewith grading, building and/or other permits (as applicable) required by state and local governmental authorities to cover the work to be performed prior to initial endorsement.
9. There is submitted herewith a conformed copy of the executed construction contract (Form HUD-92442-ORCF). The work covered by said construction contract must include, at a minimum, the work that is proposed to be performed prior to initial endorsement.
10. If the proposed borrower is a non-profit entity, there is submitted herewith a resolution of the governing body of the proposed borrower authorizing the submission of this Request and confirming the certifications made by the mortgagor in this Request.
11. The date upon which the commitment requires the first payment to principal to be made shall be considered amended so that the total period allowed therein for construction and occupancy shall begin on the later of (a) the first day of the month after the date of execution of this Request by the proposed lender or (b) the date on which the proposed borrower accepts the commitment (or accepts the amended and restated commitment, for two-stage processing).
12. The proposed borrower and contractor acknowledge that this Request is submitted pursuant to the Procedures for Requesting Approval for Start of Construction Prior to Initial Closing, Section 232 Handbook, Chapter 10, Appendix 10.1 (the "Procedures") and is subject to the terms and conditions thereof. The proposed borrower hereby certifies that:
  - a. there is "Good Cause" (as defined in the Procedures) for requesting permission to start construction prior to initial closing;
  - b. the work to be performed pursuant to this Request shall be limited as set forth in the Procedures;
  - c. the proposed borrower has arranged for independent financing of the work to be performed pursuant to this Request;
  - d. the proposed borrower acknowledges and agrees that approval of this Request by HUD does not constitute a commitment by HUD to insure a mortgage on the project, and does not in any way obligate HUD to insure a mortgage with respect to the project;
  - e. the proposed borrower acknowledges and agrees that concurrence in this Request by the proposed lender does not constitute a commitment by the proposed lender to make a mortgage loan with respect to the project and does not constitute any

representation, warranty or other assurance by the proposed lender that HUD will insure a mortgage with respect to the project; and the proposed borrower waives and releases any and all claims that the proposed borrower may have against HUD and/or the proposed lender with respect to any losses, damages, costs and/or expenses incurred in connection with any construction undertaken prior to initial endorsement.

13. Contractor acknowledges that this Request is submitted pursuant to the Procedures and is subject to the terms and conditions thereof. Contractor hereby certifies that:

- a. the work to be performed pursuant to this Request shall be limited as set forth in the Procedures;
- b. the contractor acknowledges and agrees that approval of this Request by HUD does not constitute a commitment by HUD to insure a mortgage on the project, and does not in any way obligate HUD to insure a mortgage with respect to the project;
- c. the contractor acknowledges and agrees that concurrence in this Request by the proposed lender does not constitute a commitment by the proposed lender to make a mortgage loan with respect to the project and does not constitute any representation, warranty or other assurance by the proposed lender that HUD will insure a mortgage with respect to the project; and
- d. the contractor waives and releases any and all claims that contractor may have against HUD and/or the proposed lender with respect to any losses, damages, costs and/or expenses incurred in connection with any construction undertaken prior to initial endorsement.

14. It is understood that approval of this request by HUD shall not be construed as varying the terms of the outstanding Firm Commitment (if any) except to permit the start of construction prior to endorsement for mortgage insurance and as provided in paragraph 11, hereof, and the mortgage will not be endorsed unless all other commitment requirements are complied with.

\_\_\_\_\_  
*Contractor*

\_\_\_\_\_  
*Proposed Borrower*

\_\_\_\_\_  
*Title*

\_\_\_\_\_  
*Title*

\_\_\_\_\_  
*Date*

\_\_\_\_\_  
*Date*

The undersigned, the proposed lender in the Firm Commitment consents to the foregoing request and agrees, in consideration of HUD's approval, that all mechanics' and materialmen's liens and encumbrances filed or recorded before the first advance is made on said mortgage will be discharged on record before any advances are made, or if not so discharged, no advances will be made on said mortgage.

It is understood that HUD will not be held to be responsible for any liens or any other objection of title which might result from the fact that construction of this project commenced prior to recordation of the insured mortgage and initial endorsement, and shall not in any respect be deemed to have approved the title prior to closing of the transaction or to have waived in any way the provisions of the HUD Regulations which place the responsibility of mechanics' and materialmen's liens upon the proposed lender and the date of completion of the project shall be advanced as set forth in paragraph 11 foregoing.

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*Proposed Lender*

\_\_\_\_\_

\_\_\_\_\_

*Title*

\_\_\_\_\_

*Date*