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Issue

Mortgagee Informational Bulletin #5

I. 202 Refinance Under 223 F:

Our previous Mortgagee Letter #4 stated that all repairs listed under “Owner Elective/Proposed Repairs” would be treated as non-critical repairs and requires the PCNA provider to review the costs as to their reasonableness. Many of these “Owner” repairs, and some shown under the non-critical list, indicate the costs were provided by contractor quotes/bids. This is not acceptable as an independent cost estimator must verify all costs, and the PCNA provider is the logical party to provide this.

In order for the Lender’s Cost Analyst to certify these costs are reasonable (and for determination that work is completed for escrow releases), all repairs must be specific as to location, number of units, square footage, etc. It will not be acceptable to say, “replace older appliances, replace carpeting in units/common areas, “ etc. The necessary information must be provided to the Needs Assessor to allow him/her to use a nationally recognized cost index to provide estimates for these repairs. The cost references used must be identified in the PCNA.

It has come to our attention that in some PCNA reports, cost calculations of reserve for replacement releases in future years are supplied by the management agent. This is not acceptable. The third party PCNA provider of the report must provide an independent assessment of these costs.

In Mortgagee Bulletin #4 we made a requirement of lien waivers being provided for 223 F escrow releases, we are rescinding the lien waiver requirement.