

CHAPTER 2. APPLICATION PROCESSING

- 2-1. REQUIRED EXHIBITS.
- a. Signed ASP-9 if not previously returned.
 - b. Form 1322, original and one copy.
 - c. One Form 2800 Package for each basic house type (see Appendix 2).
 - d. Three Sets of Final House Plans and FHA Form 2005, Description of Materials.
 - e. Three Sets of the Master Plot Plan. Grading may be shown on the Master Plot Plan or on a separate grading plan.
 - f. One Form 2439, Application and Commitment - Schedule of Alternate Package for each basic house type.
- 2-2. MASTER CONDITIONAL COMMITMENT (MCC). After the sponsor has signed and returned an ASP-9, a request for a Master Conditional Commitment, Form 1322, may be submitted. Each MCC application must include an original and one copy of the form. The mortgagee will complete the following information on the Form 1322:
- a. Section A:
 - (1) Block 1. FHA Mortgagee Number.
 - (2) Block 2. FHA File Number as indicated on the heading of the ASP-9, Pre-Construction Analysis Letter. The FI-DT Number will be completed by HUD-FHA.
 - (3) Block 3. Indicate the proper section of the Act.
 - (4) Block 4. Indicate subdivision name, location, and sponsor's name.
 - (5) Block 5. Indicate full name and address of mortgagee.

- b. Section C, Schedule of properties.
 - (1) The mortgagee will complete only two columns in the Schedule of Properties, Lot and Block, and House Type. The lots should be grouped by house type rather than numerical lot and block order. See Appendix 1 for the appropriate format. The case number and Lot Value

Adjustment will be added by HUD staff. If the mortgagee wishes to indicate a requested lot premium on certain lots, this should be done by way of a covering letter or attached exhibit.

- (2) The mortgagee will not complete any portion of the alternate schedule as the required information will be submitted by the mortgager on Form 2439.
- 2-3. FHA FORM 2800 PACKAGE. A separate Form 2800 package will be prepared for each house type rather than each case.
- a. The Form 2800 for each house type is completed as if it were a single case with the following exceptions.
 - (1) Property Address: Enter only general information identifying the entire submission. (Examples might be: Tract 3800, Napa, California, FHA File 123 or third Addition to Emerald Heights, Charleston, West Virginia, FHA File No. 74-101.)
 - (2) Model Identification: Indicate the house type.
 - (3) Lot Information: Leave the lot size information area blank.
 - (4) Sales Price: Indicate the sales price of the basic house without a premium lot or alternates included.
 - (5) Legal Description: List by lot and block each lot where this house type is currently proposed.
 - b. Appendix 2 of this handbook illustrates a typical Form 2800-1 with an MCC submission.

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- 2-4. RECEIVING.
- a. ASP-9. If a signed ASP-9 is not part of the submission, the Receiving Unit must determine if one has been previously submitted. If the sponsor has previously returned a signed ASP-9, the subdivision unit will provide a copy to the Receiving Unit, as soon as it is returned, so that the Receiving Unit will have it on file.
 - b. Processing. At the conclusion of the preliminary review, the cases are accepted for processing.
 - (1) Case numbers are entered on the reverse side of the MCC and a duplicate copy is returned to the mortgagee with Form 2800-2, Notice of Acceptance.

- (2) When a reject lot not enumerated in the ASP-9 is listed in error by the mortgagee on the Form 2800-1 and/or the MCC, a line will be drawn through the lot entry. The alteration will be marked "FHA Correction," dated and initialed during the preliminary review. A notice will be sent to the mortgagee calling their attention to the action.
 - (3) The mortgagee is billed for each lot shown on the MCC with the exception of lots that may be rejected in the preliminary review as described above.
- c. Case Binders. The Receiving Unit will establish individual case binders at the time of billing. OCR (Optional Character Reading) Card No. 1 and the Daily Progress Control Sheet are transmitted to the records clerk. Only the OCR cards are filed in the individual binders at this time.

2-5. RECORDS AND ASSIGNMENT.

- a. The Records Clerk registers the cases on the "Record of Home Mortgage Applications Received," Forms 2089d and 2089d1. The records clerk mails the OCR No. 1 cards to Central Office.
- b. The MCC Package is routed to the Assignment Unit. The master status card is pulled for the Visual Control Board. The Form 2800-4, Data Page, of each basic house type is pulled from each 2800 package. The individual case binders which only contain the OCR cards are left in the Valuation Section. The following information is forwarded to the staff appraiser for processing:

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- (1) One (1) set of plans and specifications.
- (2) The Mortgage Credit copy of Form 2439-3, Application and Commitment - Schedule of Alternates.
- (3) The 2800-4 from each basic house package.
- (4) One copy of the Master Plot Plan and lot value information from the valuation subdivision file.
- (5) One copy of cover letter, including information on any lot value adjustments, if submitted.
- (6) Valuation Subdivision Processing File. In this file are kept a copy of all basic 2800-3 packages from any previous MCC submission and any MCC attachments or amendments for this subdivision.

- 2-6. ARCHITECTURAL PROCESSING. The remainder of the mortgagee's submission will be forwarded to the Architectural Section for processing. Because of the amount of work involved in processing a group submission, every effort must be made at the supervisory level to insure that a group submission is not delayed in the receiving and assignment functions.
- a. If house types are those for which EAR files have been established, the "repeat case method" will be used. Where new house types are submitted, EAR files will be established for each house type. Cases will then be processed by the "repeat case method."
 - b. An inspection set will be made for each house type in the group submission. A copy of the MCC and the Master Plot Plan will be filed with the applicable inspection sets.
 - c. As soon as the architectural processing is concluded, the package is forwarded to the Valuation Section with architectural conclusions recorded on the Form 2800-3. Cost estimates for proposed alternates will be recorded on Form 2439-3, Architectural Report.

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- 2-7. VALUATION PROCESSING. With the aid of those exhibits initially provided, the Appraiser completes the field analysis. If the architectural analysis was not completed at the time that the valuation assignment was made, the Appraiser may request needed information by phone and delay completion of Form FHA-2800-3, FHA Underwriting Report, until his/her return to the office. Where the Appraiser is working from Form FHA-2800-4, the data page of the Underwriting Report, processing will be transferred to Form FHA-2800-3 upon completion of architectural processing.
- a. After receiving the cost estimates of any alternates involved, the value of these alternates is recorded on the reverse side of the MCC or such attachments as may be required where there is an extensive list of alternates.
 - b. See Appendix 3 for an example of MCC "Attachment No.1" which will be used to record an extensive list of alternates.
 - * c. At the option of the Field Office, Form HUD-92439, Schedule of Alternates, may be utilized as an attachment, in lieu of MCC "Attachment No. 1". *
- 2-8. FORM FHA-2800-3, UNDERWRITING REPORT. The Form FHA-2800-3 is completed for each basic house type in accordance with outstanding instructions with the following exceptions:

- a. Block 4, Property Address: Complete only that portion of the property address that is common to all of the lots in the group submission, i.e., Shadyside, Section 1.
 - b. Block 16, Lot Size: Omit this information as the sizes will differ from lot to lot.
 - c. Block 32, Replacement Cost: Use the typical market price for a building site on the basic Form FHA-2800-3 in determining the replacement cost estimate.
- 2-9. LOT VALUE ADJUSTMENT. By way of a letter which accompanies the group submission, the sponsor may request a lot premium on certain lots. If this is the case, the Appraiser will be provided with a copy of this letter so that the request may be considered as part of the valuation field analysis.
- a. The Typical Value for lots in this group submission will be determined in accordance with outstanding instructions. Any significant variation in lot value will be recorded in Section C, Schedule of Properties, on the reverse side of the MCC in the column entitled, "Lot Value Adjustment."

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- b. An Example of a typical application of this feature would be a group submission which received a typical lot valuation of \$8,000. If this submission contains a number of lots that back-up to the park, or in some other way have a value of \$9,000 each, these lots would receive a plus lot adjustment of \$1,000 each.
 - c. In Determining the Actual Amount of the lot adjustment, the appraiser must consider the manner in which his estimate will be used as a final value adjustment. At the time that a firm commitment is requested on a lot that has received a value adjustment, the mortgage credit processor will adjust the basic house value estimate by the amount of any lot adjustment that may be indicated on the Master Conditional Commitment for the affected lot.
 - d. Because the Replacement Cost Will Not be Recalculated to introduce a higher or lower allowance for Miscellaneous Allowable Costs or Marketing Expense as lot premiums or downward adjustments are being established, the appraiser should consider these items. A lot adjustment would normally be restricted to \$100 multiples and a premium of less than \$250 should not be ascribed.
 - e. Individual Lot Values are entered on a copy of the recorded map in the Valuation Subdivision Processing File and lot value adjustments, if any, are noted for later entry on the MCC.
- 2-10. REVIEW AND MCC PREPARATION. After the basic Form 2800 package

and the Form 2439-3 have been reviewed by the Chief Appraiser or his designee, the Master Conditional Commitment is prepared.

- a. A Blank or Machine Copy of the Sponsor's MCC is used to collect the required information for the completion of the MCC. All of the required information can be obtained from the basic Form 2800 package and from the Form 2439 with the exception of information concerning possible lot value adjustments. The formal MCC is then typed from the completed draft. See Appendix 1 for a completed MCC.
- b. A Valuation Clerk prepares four (4) copies of the Master Conditional Commitment which are reviewed and signed by the Chief Appraiser or his designee. Distribution of the form is as follows:

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- (1) Original to the Valuation Subdivision Processing File;
 - (2) Two (2) copies to the mortgagee (each-copy should include one copy of FHA Form 1322-3. see Chapter 4).
 - (3) One copy to the Architectural Section inspection sets;
 - (4) One additional copy of the signed original is made for each case binder.
- c. The Original 2800-1 and a copy of the signed 2800-3 and Form 2800-4 established for each house type will also be placed in the subdivision processing file. One copy each of the 2800-1 and the 2800-3 will be placed in each case file with the copy of the MCC.
 - d. The Form 2439-3, completed by the staff appraiser will also be filed in the Subdivision Processing File.

2-11. CHANCE OF HOUSE TYPE.

- a. A Form 2577, Request for Acceptance of Changes in Approved Drawings and Specifications, is not necessary for a change of house type to another approved basic plan, i.e., one already shown on the outstanding MCC or Amendment, unless such a change is precluded by a commitment condition on the MCC or Amendment.
- b. Sites and/or Projects which may pose special problems, such as extreme topography, will have the MCC conditioned to require all changes to be approved prior to start of dwelling construction. A standard commitment requirement is provided on the MCC for this purpose.

- c. Review Procedure. Where an office permits a builder to interchange approved houses without submitting a change order, the builder must be warned to avoid repetitive plotting of identical plans and/or elevations on adjoining lots. Where a builder's past performance indicates that the normal review procedure is warranted, this will be so indicated by requiring that a change order Form 2577 be submitted requesting prior approval on all changes of house type.

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- d. Townhouse Proposals. Occasionally, a builder must revise lot lines in a townhouse HUD proposal which may or may not affect plans other than the tract map. These changes must be approved by the Field Office prior to construction. Therefore, the following condition will be used for townhouse proposals when issuing the Master Conditional Commitment:

"When changing plans within tract, caution should be taken in order to insure that legal descriptions of the individual properties are not changed. If a change in plan requires a change in lotting, written approval from this office is required prior to start of construction."

- e. Individual Changes. Should individual changes to the basic house be necessary to add components, increase size, change specifications, etc., Form 2577 is required in triplicate and must be identified by use of the MCC identification number. Form 2577 is also required to include a new house type on an outstanding MCC.

2-12. MASTER CONDITIONAL COMMITMENT - ATTACHMENT 1. In those instances where an extensive list of alternates is involved, a special attachment to the MCC has been provided. When Attachment 1 is used as an MCC attachment or an attachment to an Amendment to the MCC, the regular alternate schedule portion of the basic document will refer the reader to the Attachment 1 for a list of approved alternates. See Appendix 3 for an example of Attachment 1.

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