
CHAPTER 1. PROJECT FISCAL PROCEDURES

- 1-1. NUMBERING NEW PROJECTS. Upon acceptance of an application (i.e., SAMA, Feasibility for Rehabilitation, Conditional Commitment, or Firm Commitment, whichever is received first) by the Director of Development, the Multifamily Housing Program Staff (Program Staff) will assign an FHA project number.
- A. Deviations. For Section 1101 (Title XI) -- Group Practice Facilities, the Program Staff will assign an FHA project number upon receiving an Application for Preapplication Analysis (Section 1101).
 - B. Numbering Machine. The Program Staff must use a numbering machine to imprint the assigned project number:
 - 1. In the upper right corner of the application.
 - 2. On the tab of the project binder.
 - 3. On all exhibits, plans, specifications, correspondence, and other material submitted with the initial and subsequent applications for that project.
- 1-2. COMPOSITION OF PROJECT NUMBERS. Program Staff will compose project numbers using the issuing office's three-digit code as a prefix and the five-digit serial number.
- A. Number Consecutively. For applications under each section of the Act (Appendix 1), the Program Staff will assign project numbers consecutively. To control the consecutive assignment of these numbers, Program Staff will set up and use a register for each project mortgage insurance program.
 - 1. As Program Staff assign each new project number, they will:
 - a. Select the next available sequential number for that program.

- (1-2) b. Note the assigned schedule of collections number (see paragraph 1-8) on the register opposite the assigned project number.
2. Reference the appropriate register sheet to:
- a. Disclose the next open project number under each section of the Act.
- b. Disclose the schedule of collections number reflecting the last project number assigned.
- B. Use of Suffix Letters. Many types of project transactions require suffix letters. Appendix 2 lists the suffix letters assigned to different types of projects. Handbook 4110.1, "Fiscal and ADP Handbook," details the assignment, formation, and required suffix designations for home mortgage sections of the act (i.e., single family).
- 1-3. CHANGES IN PROJECT NUMBERS. Any change in the status of a project which will involve the modification of an existing insured mortgage will be processed under the existing project number; however, new project numbers will be assigned under certain circumstances:
- A. Supersession by Another Mortgage. If any proposed change later results in supersession of another mortgage, a new project number will be assigned and a new application fee will be required.
- B. Transfers between Sections of the Act. Any active uninsured project transferred between sections of the Act as permitted by paragraph 1-9 will be assigned a new project number.

- (1-3) C. Complete Change of Plans or Different Site. When there is a complete change of plans proposed by the sponsor or a different site is proposed, a new project number must be assigned.
- D. Making Two or More Commitments from a single Mortgage. In those instances when HUD has issued a commitment and subsequently receives a request to split the commitment into two or more mortgageable entities, the Program Staff will:
1. Retain the first (i.e., the lowest) project number.

2. Assign the next available project number(s) followed by the appropriate identifying suffix (as in Appendix 2) to each new project covered by a separate mortgage.

EXAMPLE. Assume that the Denver, Colorado Office had issued a commitment for 1,000 units and assigned Project No. 101-00060. If the Office subsequently receives a request to divide the project into three separate projects, the first containing 500 units, the second 300 units, and the third 200 units; then the 500-unit project would retain the number 101-00060, and assuming that the office had assigned no intervening project numbers, the Program Staff would assign 101-00061 to the 300-unit project, and 101-00062 to the 200-unit project.

- E. Combining Two or More Commitments into a Single Mortgage. When HUD has issued two or more commitments and HUD receives a request to combine them into a single mortgage, the Director of Development may approve the request if the combined amount does not exceed the maximum insurable amount as stated in the applicable FHA regulations. Program staff will:

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 1. Retain the first (i.e., the lowest) project number for the combined project.
 2. Not reassign the higher number.
 - 1-4. DOCKETING. A Sponsor/Mortgagee will submit each application in triplicate and each supporting exhibit in duplicate. The application and exhibit duplicates will form the basis for establishing a Washington Docket and a Field Office Docket. Handbook 4440.1, "Final Closing," details how the Field Office will create and maintain these dockets.
 - 1-5. FEES AND PREMIUMS. The fee and premium chart in Appendix 3 details the amount Field Offices will collect for specific sections of the Act and processing stages and the appropriate code numbers. There will be no deviation from these rates or the basis defined for their use.
 - A. Form of Payment. checks for fees and premiums must

be payable to the Secretary of the Department of Housing and Urban Development.

- B. Amount of Fees and Premiums. The Director of Development is responsible for deciding the amount of fees and premiums due in connection with each project. The Programs Staff will collect all fees and premiums.
- C. Part or Balance of Fees and Premiums. Inadequate fee submissions will have their applicable code numbers (i.e., 1 = Commitment, 6 = Inspection, 7 = Application) prefixed as follows:
 - 1. Less than the required amount will be prefixed with P, for "part," e.g., P-1, P-6, P-7, etc.

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- (1-5) 2. Increases in amounts of applications, commitments and insured mortgages that require additional (1-5) charges and their code numbers will be prefixed "B-_" for "balance," e.g., B-1, B-6, B-7, etc. This latter prefix will also be used for any balance of fee or premium when collected on a previously submitted insufficient remittance.

1-6. EARNED FEES AND PREMIUMS. The following conditions establish earned fees and premiums.

- A. Application Fee. Fees are earned under the following three step process:
 - 1. The Multifamily Housing Representative determines that the SAMA, Conditional Commitment, or Firm Commitment application is acceptable;
 - 2. A memorandum is prepared and sent to the Director of Development recommending that the application be accepted; and
 - 3. When the Director concurs in the memorandum, the application fee is earned and a notation is included in the endorsement and Form HUD 3416, "Schedule of Project Collections," (Appendix 5).
- B. Inspection Fee. The inspection fee is earned at the start of the construction stage of a project as defined in Handbook 4460.1 REV-1. If the amount of

the commitment is decreased before the inspection fee has been earned, the inspection fee should be based on the decreased amount of the commitment. When the commitment is decreased after the fee has been earned, the inspection fee is determined on the amount of the commitment before the decrease.

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For Section 223(f) projects, the inspection fee is earned upon the first site visit to inspect completed repairs, whether before or after endorsement.

- C. Reopening Fee. The reopening fee is earned when the application for reopening is assigned for processing.
- D. Transfer Fee. Upon granting approval, transfer fees (defined under Paragraph 1-9) will be considered earned and no refund will be made.
- E. Preliminary Analysis Fee. The preliminary analysis fee for Title XI, group practice facilities projects, is earned when the request for preliminary analysis is forwarded to the Department of Health and Human Services for review. No refund will be made thereafter.
- F. Mortgage Insurance Premium. The mortgage insurance premium is earned when the credit instrument is endorsed for insurance.

1-7. PROMPT DEPOSITING OF REMITTANCES. All remittances must be promptly scheduled, official receipts prepared, and the original issued to the remitter. The deposit will be made by the Program Staff by close of the following business day.

- A. Requirements. Prompt deposit of funds is a fiscal requirement of HUD and is mandatory under Federal statutes, procedures of the Comptroller General of the United States, and requirements of the Treasury Department.
- B. After Banking Hours. All collections received after bank closing hours, and collections on business days preceding Saturdays and holidays will be deposited by the close of the next available business day.

1-8. SCHEDULING COLLECTIONS AND PREPARING OFFICIAL RECEIPTS.

- A. Official Receipt. Form HUD-27038, "Official Receipt" (Appendix 4) must be prepared for each fee and initial premium collection. The receipt must be prepared according to instructions in paragraph 6-5 of Handbook 4110.1 REV-1 except as modified below:

Paragraph 6-5b: include the Alpha Section of Act Code (see Appendix 1 of this Handbook).

Paragraph 6-5i: include the appropriate accounting code for the transaction type, e.g., Initial MIP fee = Acct. Code 2 (see Appendix 3 of this Handbook).

The receipt should be distributed according to instructions in paragraph 6-6 of Handbook 4110.1 REV-1 except that a copy of the Schedule of Project Collections, Form HUD-3416, should be included as supporting documentation required by paragraph 6-6b(1).

Form HUD-3416, Schedule of Project Collections (see Appendix 5 of this Handbook) will be used to report in summary fees and premiums for multifamily mortgages.

Additional instructions for the preparation of an official receipt for certain transactions are shown in B through G below.

- B. Transfers. A "no money" official receipt will be issued in connection with permissible transfers between sections of the Act immediately upon approval of the transfer and concurrent notice of such approval to the mortgagee. The receipt must show the applicable cross-reference to the former project number.

- (1-8) C. Change in Amount of Application or Insurance. The amount of the application or amount of mortgage to be insured must be shown as "Application Mortgage" in each official receipt. When reporting any change in the amount to be insured, show the new total amount to be insured immediately following the dollar sign and then show the former amount as "Was _____."
- D. Supersession. In the event of a change in amount by supersession, show the face amount immediately after the dollar sign and then show the old outstanding balance of the superseded mortgage as "Old Bal. ____."
- E. Section 213 Investor Projects. When preparing the official receipt acknowledging collection of a commitment fee for Section 213 investor projects, show the amount of the commitment applicable to the owner of a management project in the panel for "Application-Mortgage" followed by the letters "COMM."
- F. Transfer Fee. When preparing the official receipt acknowledging the collection of a transfer fee involving the transfer of physical assets or substitution of mortgagor, show "Transfer of Physical Assets" in the panel for "Application Mortgage."
- G. Insured Secondary Loans. Whenever an official receipt is prepared for an application pertaining to a supplemental or operating loss loan insured under Section 241 or 223(d), the official receipt issued for the loan application must be noted in the panel for "Location or Property Address" with the FHA project number assigned to the underlying first project mortgage.

1-9. PERMISSIBLE FEE TRANSFERS. Before fees are earned under the original application, a project application may be transferred to any other title and section under which it is eligible. The full amount of the fees collected and retained under the initial application may serve as a

(1-9) credit for fees due under the transfer. Any excess fee collected in connection with the initial application will be refunded as an overpayment, as provided for in paragraph 1-11. The reason cited for such refund will be "Overpayment of Fee" or "Transfer to Home Section of the

Act," as applicable. A change of mortgagor or sponsor is not considered to be a transfer. Permissible transfers to home mortgage (i.e., single family) sections of the Act will be found in Handbook 4110.1.

A. Project Transfers Between Titles and Sections After Fees Are Earned. Transfer may be made between stated sections of the Act, subject to limitations under 1. below. If a commitment has been issued under the project, the commitment may be issued for a term not to exceed the remaining unexpired term of the original or reopened commitment, or 30 days, whichever is the greater. The amount of fees collected and retained under the initial application (except any earned reopening fees) may serve as a credit on any fees due under the transfer. No fees earned under 1 or 2 below may be refunded.

1. Transfer of Fees Between Titles and Sections After Processing Has Begun. Credit for fees may be transferred provided:

- a. Eligibility requirements are met for the section of the Act to which the transfer is made.
- b. Fees are earned prior to Initial Endorsement for Insurance.
- c. Project location is the same.
- d. Plans are substantially the same.

(1-9) 2. Transfer of Fees Within the Same Section of the Act. After processing has begun and prior to Initial Endorsement for Insurance, it is permissible to transfer fees, with full credit allowed for the amount of fees paid, from one type of commitment to another, within the same Section of the Act (e.g., from Section 221(d)(3) to Section 221(d)(4)), and on the same project.

EXAMPLE: If a sponsor who has submitted an application for Conditional Commitment processing submits an application for Firm Commitment for that project prior to issuance of a Conditional Commitment, the Conditional Commitment fee may be counted towards the Firm Commitment fee.

B. Other Transfers of Fees. Any request for a transfer of fees not classified within the provisions of this paragraph must be treated as a new application and assigned a new project number. No fees earned under the initial application may be credited to the second application.

1-10. SUBMISSION OF COMPLETELY DIFFERENT PLANS. A new application and a new application fee are required if sponsor/mortgagee requests processing of significantly different plans after architectural and commitment processing has begun. No credit will be allowed for any fees previously paid in connection with the earlier application.

1-11. REFUND OF FEES. A Public Voucher for Refunds (Appendix 6) will be initiated by the Field Office and forwarded to the Office of Finance and Accounting, P.O. Box 23290, Washington, DC 20026. When refunds are to be made under two or more collection items for one project at the same

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(1-11) time, they shall be included in one refund voucher. It is preferred that required refunds be made at the time of Initial Endorsement or at the issuance of a commitment. Earlier refunds are granted if requested by the remitter. Any erroneous refund must be recollected promptly. Unearned fees are those fees that are not earned under paragraph 1-6.

A. Types of Refunds. Refund vouchers covering fee collections in connection with project mortgage applications should be prepared in the situations described in the following subparagraphs only. The refund voucher will indicate the reason for the refund, for example, "Rejected Prior to Start of Processing," "Should Have Been Rejected Prior to Start of Processing," etc.

1. Application Rejected or Withdrawn Prior to Start of Processing. Refund any unearned collected fees at the time of the closing fiscal examination. start of processing is the acceptance by the Director of Development of the application for processing.

2. Application Should Have Been Rejected Prior to Start of Processing. The Multifamily Housing

Representative will prepare a memorandum detailing why the application should have been rejected prior to assignment for processing. Any unearned fees collected will be refunded at the time of the closing fiscal examination. The memorandum is to be signed by the Director of Development and retained in the project docket.

3. Application Rejected or Withdrawn During Processing. During the period between assignment for processing and issuance of a commitment, a refund will be made of the amount of the fee which is in excess of the amount earned (paragraph 1-6) based on the amount of mortgage requested. This refund will be made at the time of the closing fiscal examination.

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- (1-11) EXAMPLE. If an application comes in for Firm Commitment processing (with an application fee of \$3 per \$1,000 of the applied mortgage amount), and if in the conduct of the site appraisal/market analysis portion of the review the Director of Development determines that HUD should reject the application, HUD will refund the part of the application fee that is not earned.
4. Construction Not Started. If construction has not started as defined in paragraph 1-6.B, any collected inspection fee may be refunded at the time the application is withdrawn, provided any commitment to insure upon completion or any endorsed instrument is returned for cancellation. This refund will be made at the time of the closing fiscal examination.
 5. Overpayment of Fee. An overpayment of fees requiring a refund during the fiscal examination includes:
 - a. Duplication of fees.
 - b. Fees remitted in error.
 - c. Situations where the amount of the commitment issued or the increase in the mortgage granted is for less than the amount applied.

EXCEPTION. Any minor overpayment of an application fee will be adjusted in the collection of the commitment fee; however, if the overpayment of the application fee is material, it should be refunded without delay after receipt in the office.

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- (1-11) 6. Partial Refund of the Inspection Fee. The refund voucher (Appendix 6) must be completed to show the following relevant information in the remarks portion:
- a. Original amount of the commitment.
 - b. Amount of the inspection fee collected.
 - c. Each increase in the commitment and the corresponding amount of inspection fee collected.
 - d. Amount of the commitment outstanding at the start of construction.
 - e. Reason for the foregoing refund shown as "Overpayment of Fee."
7. Construction or Financing Prevented. Collected fees may be refunded where condemnation proceedings or other legal action taken by any state, county, municipality, or other public agency prevents project continuation.
8. Lack of Need for Housing. Fees may be refunded if HUD determines that there is no need for the additional housing represented by an application in process or active commitment, subject to surrender of the commitment involved.
9. Reopening Refused. Refund any collected reopening fees if the request for reopening is not approved.
10. Transfer to Home Section of the Act. When a transfer is made from a project mortgage section (i.e., multifamily) to a home mortgage section (i.e., single family), the fees paid under the project section which are ineligible for transfer

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- (1-11) to the home section will be refunded. The refund voucher must show complete details concerning the fees collected on the project (schedule of collections number, date, accounting code, etc.) and the opening and closing FHA case numbers to which the transfer is being made. In no instance should the refund voucher be submitted until after the transfer has been made.
11. Rejected or Withdrawn Before Submission to Health and Human Services (HHS). When the request for preliminary analysis of a Title XI group practice facilities project is withdrawn or rejected at any time prior to the date the submission is forwarded to HHS, the \$400 fee will be refunded upon receipt by the Financial Control and Accounting Division, of a certified voucher from the Field Office. The reason for refund will be shown as "Withdrawn Before Submission to HHS" or "Rejected Before Submission to HHS," as applicable.
12. Insurance Cannot be Made Effective. If insurance endorsement is prevented by noncompliance with commitment, expiration, or withdrawal, etc., any collected initial mortgage insurance premium will be refunded at the time of the closing fiscal examination.
- B. Approval of Refund Voucher. Send refund vouchers to the Office of Finance and Accounting for approval. Complete the voucher (Appendix 6) per OFA's Voucher Payment Guide Book.
- C. Certifying Officer's Responsibility. Each voucher must be properly certified by an authorized certifying officer. The certifying officer is accountable for the amount of any illegal, improper, or incorrect payment resulting from any false, inaccurate, or misleading certification made.

1-12. CLOSING FISCAL EXAMINATION WORK SHEET. Form FHA 3635, "Closing Fiscal Examination Work Sheet" (Appendix 7), is designed to record all the fiscal transactions in connection with the project, from the collection of the application fee through Final Endorsement, rejection, or expiration. It should be completed during the course of the project.

- A. Completion of the Form. Program Staff will record fiscal entries on this form per its instructions after receipt of the application and deposit of the remittance. The Director of Development will sign the certification panel in the lower portion of the form.
- B. Distribution of the Form. The original of the form will be filed in the fiscal section of the Washington Docket and a copy in the Field Office Docket.

1-13. CLOSING FISCAL EXAMINATION. A thorough review of all the fiscal aspects of a project is required. The purpose of this examination is to: determine the sufficiency of all fees and premiums; establish those fees and premiums which have been earned per Paragraph 1-6; and refund those fees and premiums which have not been earned and collect those which were.

- A. When Closing Fiscal Examinations Are Performed:
 - 1. Issuance of a commitment. The fiscal examination will ensure the billing of fee deficiencies as promptly as possible and avoid retaining unearned fees during the construction period.
 - 2. Initial closing. When a mortgage is initially endorsed for insurance, the mortgagee will be promptly billed for any fee deficiencies that exceed \$1. A refund voucher will be initiated for any fees that both exceed \$1 and which have been collected but not earned.

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- (1-13) 3. Final Closing. This is defined as when:
- a. A mortgage is insured by Final (or Initial/Final) Endorsement of the credit instrument.

- b. An application or commitment is either rejected, withdrawn, expired, or terminated.
 - c. The SAMA letter has expired.
- B. Reviews of the Fiscal Examination. The Field Office Manager will designate personnel to conduct quality control reviews of Field Office Dockets to look for fiscal errors and unreconciled discrepancies. If any collection item is not represented by an initialed entry, an imprinted receipt date-stamp, cannot be traced to a schedule of collections, or fiscal errors are apparent, the designated personnel will report promptly to the Director of Development who can take the necessary corrective action. The Director will report all actions to the Financial Control Branch, OFA.
- C. Final Closing of Mortgage Transaction. Final review and arrangement of the original material in the Washington Docket are the responsibility of the attorney who conducted the final closing of the mortgage transaction as detailed in Handbook 4440.1.
- D. Deficiency Created by an Erroneous Refund. Erroneous refunds must be recollected promptly and reported to Multifamily Accounting and Servicing Division, Attention: Multifamily Insurance Operations Branch. This report must include all pertinent details concerning the transaction and an explanation of the circumstances surrounding the initiation, preparation, and certification of the voucher.

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- 1-14. COLLECTION OF MORTGAGE INSURANCE PREMIUMS. The Field Office will collect the initial Mortgage Insurance Premium. Once this premium is collected, the Field Office will follow the procedures in paragraphs 1-7 and 1-8 of this Handbook. The Multifamily Insurance Operations Branch of the Multifamily Accounting and Servicing Division bills and collects subsequent premiums. Any mortgage insurance premium received in the Field Office in response to a billing by the Multifamily Insurance Operations Branch should be forwarded promptly with a letter of explanation by certified mail to:

Department of Housing and Urban Development

Multifamily Premiums
Post Office Box 198045
Atlanta, GA 30384-8045

- 1-15. FUNDING AND DISBURSEMENT PROCEDURES. Funding and disbursement procedures for the Delegated Processing Procedures and Technical Discipline Contracts should be in accordance with HUD Handbook No. 7400.10, "Housing Funding Control Handbook," associated notices and memorandum, and OFA's Voucher Payment Guide Book.
- 1-16. REQUESTS FOR AMORTIZATION SCHEDULES. Requests will be submitted within 2 working days of closing to the Department of Housing and Urban Development, Multifamily Insurance Operations Branch, HFMMI, P.O. Box 44124, Washington, DC 20026-4124 in accordance with detailed instructions provided in Handbook 4440.1.