



U.S. Department of Housing and Urban Development

Minneapolis Field Office
920 Second Avenue South Suite 1300
Minneapolis, Minnesota 55402-4012
<http://www.hud.gov/local/min/minhome.html>

MEMORANDUM FOR: Minnesota MF Hub Lenders

SUBJECT: TAP Project Issues- Circular 03-10

Date: May 8, 2003

The purpose of this circular is to further articulate this Field Office's policy for Pre-Applications on projects that will be processed using Traditional Application Processing (TAP).

General: As most of you are aware, beginning in November, 2002, we started formally "inviting" TAP Pre-application packages in a manner similar to MAP Pre-Applications. If an invite letter is issued, it is for an initial term of 120 days. Two 30-day extensions of this 120-day limit may be authorized by HUD, but there is no requirement that the extensions be approved.

On a separate but related note, any appraisal reports submitted prior to Circular 03-02 must be retrieved by the submitting lender within the next week, or arrangements for the return made, or will be discarded without further notice.

Cooperatives: Our policy on collection of down-payments was conveyed to you through an e-mail on October 17, 2002. Paragraph 1-26 of HUD Handbook 4550.1 discusses procedures for collection of reservations (testing the market). This paragraph makes no mention of where in the HUD process one must be prior to collection of reservations.

Henceforth, on any project that will be submitted for FHA Insurance, we are requiring a current invite letter when one is collecting reservations. Per the Handbook, the reservation dollars must be refundable at any time at the option of the prospective purchaser. Furthermore, the sponsor must not make any representations, oral or written, that there have been any HUD-FHA approvals in connection with the project and all deposits must be escrowed in such manner as to fully protect the depositors. It is acceptable during marketing to refer to the FHA Invitation Letter, however, and also reference the Invitation Letter in the reservation agreement (which is optional, but not required).

Contacts: In order to avoid any misunderstandings, questions relating to this circular's application to specific projects should be directed to either Tim Gruenes (612-370-3051 x 2252), Del Relopez (x2274), or Zach Korb (x2271).