
CHAPTER 1. GENERAL

- 1-1. INTRODUCTION. The Section 236 program provides private enterprise with an additional means of developing good rental and cooperative housing for lower income families. The success of the Section 236 program will not be measured solely by the number of safe, sanitary housing units produced, but also by the effectiveness of the program in improving the quality of life for all citizens. The program is versatile as to the types of housing which can be provided and the types of tenants which can be served. It permits row, walk-up, elevator, and grouped or scattered single family construction. Projects may also be developed in conjunction with other Federal or State programs.
- a. Federal Laws and Regulations prohibit discrimination on the basis of race, color, creed, or national origin in the sale, lease, occupancy, or use of housing or facilities developed under any program or activity receiving financial assistance from HUD.
 - b. Equal Opportunity. In addition, as is the case in all federally supported programs, individuals and organizations participating in the Section 236 program must comply with Equal Opportunity provisions of the law and FHAA Regulations.
 - c. Affirmative Action Program. Further, an affirmative action program to achieve equal employment opportunity must be carried out by contractors and subcontractors engaged in the construction of housing or facilities receiving federal assistance.
- 1-2. AUTHORIZATION AND DELEGATION. The Section 236 Rental Housing Assistance Program is authorized by the Housing and Urban Development Act of 1968. Authority for administering the program is vested in the Secretary of the Department of Housing and Urban Development, who, in turn, has divided authority for the administration of the program into two phases. The responsibility for all policies and procedures necessary for reviewing, approving and developing proposals up to the time of final endorsement for mortgage insurance has been delegated to the Assistant Secretary for Housing Production and Mortgage Credit-FHA Commissioner. All questions concerning policy and procedures for projects in this phase should be directed through the Regional Office to the appropriate office under the Assistant Secretary for Housing Production and Mortgage Credit (HPMC). The responsibility for

administration of the program after projects are finally endorsed, and for non-insured but substantially completed and occupied projects, has been delegated by the Secretary to the Assistant Secretary for Housing Management. Inquiries concerning policy affecting projects in this phase should be directed through the Regional Office to the appropriate division within the Office of Housing Management.

1-3. RELATED PROGRAMS. There are numerous other programs which relate to or can be used in connection with the Section 236 program. These include the following:

- a. The FNMA-GNMA Tandem Plan. Special Assistance Program Number 17, known as the Tandem Plan, provides for joint assistance by the Government National Mortgage Association and the Federal National Mortgage Association in the financing of multifamily market interest rate mortgages insured by HUD-FHA under Section 236. This program provides advance commitments to purchase mortgages at par upon final endorsement, and its benefits are available to all mortgagors under Section 236. FNMA participation in construction advances for up to 95% is available whether the commitment contracts are held by FNMA or GNMA. (GNMA does not participate in construction loan advances.)

FNMA/GNMA fees may be included in estimated replacement cost as follows:

- (1) The replacement cost estimate of multifamily projects may include an allowance for a FNMA/GNMA fee of 1-1/2% as a general rule, with exceptions outlined below. This 1-1/2% commitment fee which includes a 1/2% purchasing and marketing fee, normally is to be used in processing for all types of mortgagors.
- (2) Replacement cost allowance for FNMA/GNMA fee may vary from the 1-1/2% generally used only in Section 236 projects when the mortgagee has actually applied to FNMA for a Preliminary Commitment of Funds Contract prior to the issuance of the commitment. The mortgagee will have paid an additional fee of 1/8 of 1% for the initial 3 month period and perhaps an additional 1/8 of 1% for a 3 month extension. In such a case, the FNMA/GNMA fee may be increased to a maximum of either 1-5/8% or 1-3/4%, depending on the circumstances.

- (1-3) (3) Since the Tandem Plan is readily available to all mortgagors, the preliminary commitment procedure is seldom used. NOTE: This exception may be followed, and the additional 1/4% of allowance for FNMA/GNMA fee may be made, only in those instances where the mortgagee can demonstrate it has actually obtained a Preliminary Commitment of Funds Contract and paid the fee to FNMA prior to issuance of firm commitment.
- (4) For further information on FNMA or GNMA programs, refer to the seller's guides published by the respective organizations.
- b. Assistance Under State or Local Programs. Interest reduction payments may be made for a rental or cooperative housing project, owned by a private nonprofit entity, a limited distribution entity, or a cooperative housing corporation, which is financed under a State or local program which provides assistance through loans, loan insurance, or tax abatement. To qualify for interest reduction payments, a project must be submitted for approval prior to completion. Projects need not be financed with HUD-FHA insured mortgages, and HUD-FHA will recognize the organization and operation of the project under state or local programs to the extent they are not inconsistent with the National Housing Act. For further information, please consult Reference (1) of the Foreword.
- c. Special Assistance for Nonprofit Sponsors. Sections-106(a) and (b) of the Housing and Urban Development Act provide for loans and grants to nonprofit organizations for preconstruction expenses for planning and obtaining federally-insured financing for the construction and rehabilitation of low- and moderate-income housing. This financial assistance is available to nonprofit sponsors of Section 236 projects under the terms set forth in Reference (2) of the Foreword. Similar loans authorized under Section 207 of the Appalachian Regional Development Act of 1965, are available to sponsors of housing financed under Section 236 in designated localities in the Appalachian Region. Reference (3) of the Foreword, discusses this program in detail.