

CHAPTER 2. BASIC APPLICATION PROCEDURES AND CONTROL OF FUNDS

- 2-1. SUBMISSION OF APPLICATIONS. Any Borrower interested in applying for a Section 106(b) "seed money" loan shall submit its application for such monies with its application for a Section 202 fund reservation or at any time subsequent to receipt of a Section 202 fund reservation and prior to the initial closing of its Section 202 loan. In determining whether to apply for a "seed money" loan, the Borrower must be aware that the Section 106(b) Program provides a loan and not a grant and that the Loan Contract and Trust Agreement is a binding contractual obligation. Further, the Borrower is required to spend its share of the "seed money" first; and, in the event of losses, the Borrower must lose its share first.
- a. Required Contracts. In the event the Section 106(b) application includes amounts for the architect, consultant, and/or attorney, copies of the contracts between the Borrower and each of these parties must accompany the "seed money" applications. If the Borrower has not contracted with an architect, consultant and/or attorney by the time it submits its "seed money" application or if no contract exists, as may be the case with the attorney, the Borrower shall provide estimates of the costs for such services on the Section 106(b) application, and shall base its estimates on fees typically charged by such parties for projects of similar type and size.
 - b. Other Documentation. All available receipts for any expenditures claimed and any bills for current obligations must be submitted. Where bills and/or receipts are not available because the Borrower is making an application for a Section 106(b) loan prior to creating a particular "seed money" expenditure, the Borrower must provide an estimated cost for that particular item for purposes of establishing a total loan amount.
 - c. Allowance for Cost Estimates. The Borrower is allowed to submit estimated costs for certain items (e.g. architect fees, legal fees, soil borings, topographical surveys, etc.) in order to

afford it the opportunity to submit its Section 106(b) loan application simultaneously with its application for a section 202 fund reservation. Such allowance facilitates the processing of the Section 106(b) loan application while taking into consideration the fact that certain anticipated costs, which would be otherwise eligible for a Section 106(b) loan, may not have been incurred at the Section 202 Fund Reservation Stage. In those cases where estimated amounts are reported, the Field Office shall make the appropriate adjustment for those estimated line items upon receipt of bills or other documentation reflecting actual expenditures at the time the requisitions are submitted. The Field Office is authorized to approve adjustments in line items and increases in loan amount (provided such adjustment or increase does not result in a loan amount exceeding \$50,000) in accordance with Chapter 3, paragraph 3-6 and Chapter 4, paragraph 4-9 contained herein.

- d. Evidence of Borrower's Cash Contribution. If the Borrower has not expended or obligated its required cash share of the "seed money," it must furnish evidence of its ability to provide the required funds with its application.
- e. Application for "Seed Money" Loan. Form HUD 92290, Section 106(b) Nonprofit Sponsor Assistance "Seed Money" Loan Application (Appendix 3), must be submitted in an original and three (3) copies and must be completed in accordance with the instructions contained thereon.

2-2. ACCEPTANCE OF APPLICATIONS FOR PROCESSING.

- a. Determining Acceptable Applications. The Processing Control and Records Staff (PCRS) shall review each application to determine that all forms and documentation are included. Applications for Section 106(b) loans shall not be accepted for processing if the Field Office has evidence that the Borrower or Sponsor or any entity controlled by or under the control of the Borrower or Sponsor has a delinquent "seed money" loan under Section 106(b)

of Housing and Urban Development Act of 1968 or Section 207 of the Appalachian Redevelopment Act of 1965. Only those applications submitted by eligible Borrowers which are complete and do not fall into the category outlined in the preceding sentence shall be accepted for processing.

- b. Incomplete or Unacceptable Applications. If the application is incomplete or is determined to be unacceptable because a related delinquent loan exists as outlined in subparagraph 2-2a above, the Field Office shall immediately so advise the Borrower in writing. The Borrower will be given fifteen (15) calendar days to resolve the delinquency or to submit the missing exhibits. If the problems are not resolved satisfactorily within the time period allotted, the Field Office shall return the Section 106(b) application package to the Borrower and shall advise the Borrower that the application may be resubmitted when the outstanding loan is settled in a manner satisfactory to HUD or when the application package is complete.

2-3. APPLICATION NUMBER.

- a. Assignment of Application Number. An application number shall be assigned by PCRS immediately following acceptance for processing. This number must consist of the following:
 - (1) A two (2) letter alpha "PA" for Preconstruction Assistance,
 - (2) A three (3) digit numeric prefix which will be the Field Office code (collection code),
 - (3) A sequential serial number which is assigned in the order applications are received starting with number one (1).
NOTE: This includes all previous Section 106(b) application numbers assigned by the Field Office, and
 - (4) A two (2) letter suffix "EH" for elderly or handicapped.
Example: Assuming the last Section 106(b) application number assigned by the Field Office in Little Rock, Arkansas, was PA 082-5, the first application accepted for processing under the revised Section 106(b) program would be assigned the following number: PA 082-6-EH.

NOTE: It is imperative that application numbers be assigned in numerical sequence.

-
- b. Single Borrower Filing Several Applications. If a Borrower is applying for financial assistance for more than one project, a separate application must be submitted for each project, and each application will be assigned a separate application number.

- c. Recording Section 202 and Section 8 Project Numbers. When the Section 106(b) application number is assigned by the Field Office, the Section 202 project number and the Section 8 project number will be inserted in the space captioned "FHA Project No." on the Section 106(b) application, Form HUD 92290.
- 2-4. CONTROL OF AVAILABLE FUNDS. Records and control of the Section 106(b) Nonprofit Sponsor Assistance Fund (Fund) shall be maintained in the FAID, OFA, under procedures prescribed below. Since all Field Office approvals of Section 106(b) applications are subject to the availability of funds, the FAID shall be responsible for keeping loan-approvals within the amount of available funds. No one shall commit funds to a Borrower except pursuant to a formal reservation for funds authorized by OFA, as provided in paragraph 3-4 of this Handbook.
- 2-5. REPORTS.
- a. Monthly Fund Status Reports. Monthly reports on the status of the Fund shall be prepared by General and Program Accounting, and forwarded to the Direct Loan Branch, Development Division in the Office of Multifamily Housing Development and to the Housing Budget Division, Office of Management. These reports will consist of a summary showing funds appropriated, reservations for loans approved, repayments, loans canceled, and the unobligated balance.
 - b. Monthly Project Status Reports. A project status report also must be prepared monthly by General and Program Accounting for the original Section 106(b) program and the revised Sections 106(b)/202 program and forwarded to those parties identified in paragraph 2-5a above. This must show the name of the Borrower, the project number, the reservation amount, the date of the reservation, the amounts which have been disbursed, repaid, and/or canceled, and the amount currently outstanding.