

9.1

Introduction

- A. After the Firm Commitment is issued, the closing of a Section 232 project is a collaborative effort primarily among the ORCF Closing Coordinator (hereinafter referred to as the “Closer”), the HUD Closing Attorney (hereinafter referred to as the “HUD Attorney”), the Lender’s Attorney, and the Lender. This Chapter focuses mostly on the closing roles and requirements of the Closer and the Lender. In addition to the requirements set forth in this Chapter, [and Appendix 9.2, Electronic Closing Guidance](#) more detailed [requirementsclosing protocols](#) for the Lender’s Attorney and HUD Attorney [are may be](#) distributed by the HUD Office of General Counsel [and made available on HUD’s website](#). The contents within this Chapter are not intended to be and must not be interpreted as legal guidance.
- B. **Lender’s Responsibilities.** Lenders [are strongly encouraged to will](#) engage and be represented by [competent](#) legal counsel [experienced in HUD closings](#) throughout the loan application and closing document preparation and submission process. Lenders should not rely on personnel other than their legal counsel, and legal support staff under the careful oversight of legal counsel, in preparing and submitting closing documents. It is HUD’s experience that Lenders that rely on personnel other than those with proper legal training and experience often submit incomplete closing documents with numerous errors. This practice unnecessarily consumes HUD staff time and greatly increases the chances for disruptive and delayed closings, which ultimately becomes more expensive to the parties. At the HUD [Closing](#)-Attorney’s discretion and in accordance with professional responsibility standards, the HUD [Closing](#)-Attorney may decline to communicate with anyone other than the Lender’s [attorneyAttorney](#) with respect to the transaction [and may also reject any closing document \(s\) that is incomplete](#).

9.2

The ORCF Closer

ORCF utilizes a Closer for all of its closings. A Closer will be assigned to a project after the Firm Commitment has been issued. The Closer serves as the main point of contact for ORCF and will work closely with all of the parties to ensure that ORCF program and administrative

38 requirements are satisfied prior to closing. The Closer's responsibilities include, but are not
39 limited to, the following:

40
41 **A. Draft Closing Documents.**

- 42
43 1. Upon assignment, the Closer will send an introductory email to the Lender and the
44 Lender's Attorney with directions on the delivery of the draft closing documents to
45 the Closer. If the closing documents are incomplete or substantially incorrect, the
46 project may be marked inactive, removed from the Closer's assignments, and placed
47 back in the closing queue. Once a complete/acceptable closing package is received
48 and verified, the project will be marked as active and reassigned to a Closer as
49 availability allows. The Closer will remain the primary point of contact and be
50 available to respond to all closing related questions, concerns and/or issues after
51 discussion with appropriate internal and external parties.
52
53 ~~2. The appropriate closing checklist must be placed in front, on top of the closing~~
54 ~~package. (Closing document checklists are referenced in Appendix 9.1.) Documents~~
55 ~~must be tabbed according to the corresponding number on the checklist. All~~
56 ~~documents must be submitted in one hard copy package. The closing package must~~
57 ~~also contain evidence that all Special Conditions have been satisfied.~~
58
59 ~~3.2.~~ HUD anticipates that the documents in every submission are the final drafts of
60 documents that all parties to the transaction have agreed upon prior to submission. If
61 documents need additional review by the parties or by third parties, then the
62 submission must be held by the Lender until all issues can be resolved and final draft
63 versions of documents can be — submitted for HUD review.
64
65 3. Portal Submission: A complete electronic draft Closer package, as required by the
66 checklist, must be uploaded to the ORCF Portal. A complete set of the documents
67 listed on the HUD Attorney Closing Punchlist must be submitted electronically to the
68 HUD Attorney for legal review in accordance with Appendix 9.2, Electronic Closing
69 Guidance.
70
71 4. The closing package must include both a clean copy of each document and a redline
72 of the document against the HUD form where applicable. HUD's OMB-approved
73 form documents includes blank spaces for insertion and bracketed alternatives to
74 accommodate project specific information. Lender's Attorney is responsible for
75 completing HUD's OMB-approved forms through insertions in blanks, the selection
76 of bracketed language, formatting documents for signature and recordation (including
77 separating and marking counterpart signature pages), and insertion of signature and
78 notary blocks. Inapplicable provisions (e.g., inapplicable construction provisions in
79 refinance transactions) should be shown as strikethroughs. Theses strikethroughs alert
80 HUD and the Lender to modifications during the loan servicing period and mitigate
81 shifting document numbers and paragraphs. For HUD closing documents that provide
82 bracketed alternatives, the preparer may remove or strike through the alternatives that
83 do not apply. For example, sections of the Note (form HUD-94001-ORCF) provide

84 bracketed alternatives for interest rate definitions, payment provisions, prepayment
85 provisions, and endorsement panels. The form completion changes outlined in this
86 paragraph are not considered substantive changes and do not require explicit HUD
87 approval.

88
89 4.5. If a document is being resubmitted in response to HUD comments, that second
90 submission must include both a clean copy of the document and a redline against the
91 earlier submission. ~~All proposed changes must be approved by both the Closer and~~
92 ~~HUD Attorney.~~

93
94 For proposed substantive changes to OMB-approved HUD forms (that do not meet
95 the criteria outlined in the first paragraph), the Lender must submit a detailed
96 explanation to justify the requested changes. The request will be reviewed by the
97 Closer and HUD Attorney, as appropriate, and in their sole discretion, may
98 recommend approval to the appropriate HQ office. Final approval for changes to a
99 HUD-form may only be granted by Headquarters. All proposed changes to non-HUD
100 forms must be approved by the Closer or the HUD Attorney, as applicable.

101
102 5.6. The Closer will review the draft closing documents to ensure that all programmatic
103 requirements are met, all Special Conditions have been satisfied, and any repairs have
104 been acceptably completed with adequate evidence. The Closer will notify the
105 Lender, the Lender's Attorney, and the HUD Attorney of any deficiencies. The HUD
106 Attorney will ~~perform a similar, but~~ review the documents for legal, review
107 sufficiency and will notify the Closer and Lender's Attorney of any deficiencies. The
108 HUD Attorney will provide written comments on the initial closing document
109 submissions to Lender's Attorney by e-mail (comments may be included in a separate
110 document attachment(s) or within the body of the e-mail). All deficiencies must be
111 cured prior to ~~establishing~~ confirming a closing date. Failure to cure deficiencies will
112 lead to a canceled or delayed closing.

113
114 6.7. Piece-meal deficiency responses will not be accepted. Instead, responses to
115 deficiencies must be submitted together in one e-mail or package with a written
116 explanation. The written explanation must clearly identify which documents are
117 attached and what changes have been made. ~~Lender's Attorney will ensure that~~
118 responsive comments are transmitted in an organized manner that allows the HUD
119 Attorney and Closer to quickly identify and resolve each comment (i.e. list of
120 responsive document(s) labeled to match a corresponding HUD comment). Lender's
121 Attorney must ensure that revised electronic documents are appropriately labeled (e.g.
122 by version number or date) to avoid any confusion with a prior draft. If the HUD
123 comments were particularly extensive, Lender's Attorney should first confirm the
124 preferred means of response (i.e. e-mail or an updated download link)

125
126 **B. Amendments to the Firm Commitment.** Requests to amend the Firm Commitment must
127 be submitted to the Closer on ~~Lender~~ Lender's letterhead; the request must list the proposed
128 amendments and attach the proper documentation. The Closer will review and, if
129 appropriate, prepare, execute, and distribute the amendment.

- 130
131 C. **Completion of Repairs.** If required by the Firm Commitment, the Closer will ensure that
132 repairs are completed. The Closer will review evidence of completion, including supporting
133 photographs and invoices, and the Borrower's Certification— Completion of Critical
134 Repairs (Form HUD-91118-ORCF). For ~~non~~Non-critical or Borrower elected repairs, the
135 Closer will review the Escrow Agreement for Non-critical; Deferred Repairs (Form HUD-
136 92476-ORCF) and list of repairs to be completed. For ~~non~~Non-critical or Borrower elected
137 repairs completed prior to closing, the Closer will review evidence of completion
138 (photographs and invoices) and the Borrower's Certification-~~Full or Partial~~-Completion of
139 Non-Critical Repairs (Form HUD-92117-ORCF). If any remaining repair items are not
140 completed, the Closer will review and approve a request for amendment to the Firm
141 Commitment with a revised list of repairs. Please note that the Green MIP Non-critical repair
142 list cannot be changed at closing without written prior approval of the Energy Professional.
143
144 D. **Survey and Title.** If necessary, the Closer will coordinate resolution of any issues related to
145 the title and ALTA survey. If the date of the survey or most recent update is more than 120
146 days prior to the closing date, the survey must comply with Section II of form HUD-91111-
147 ORCF and the required certification must be completed and signed. ORCF expects covenants
148 that run contrary to the Fair Housing Act or other civil rights laws to be removed. To avoid
149 delays in closing, the parties should discern early whether such covenants exist and, if so,
150 immediately commence necessary actions to remove them. Initiating this effort obviously
151 involves having a title search conducted early in the application process. In the event that,
152 despite such timely and ardent effort, the parties are not able to timely obtain removal of the
153 covenant, then, in order to avoid a closing delay, ORCF would expect those efforts to be
154 clearly documented and would expect documents to be executed affirmatively
155 acknowledging the unenforceability of such provisions and repudiating them. A certification
156 signed by the parties involved, certifying they will work to have the covenants removed post-
157 closing as expeditiously as possible, is required prior to Closing.
158
159 E. **Management Conference Call.** If applicable, the Closer will ensure that a conference call
160 between the ORCF servicing Account Executive for the project and the Borrower occurs
161 prior to closing.
162
163 F. **Closing Statements and Cost Certifications.** The Closer will review and examine all
164 closing statements and, if applicable, cost certifications (e.g., the Borrower's Certificate of
165 Actual Cost (Form HUD-2205A-ORCF-)). The Closer will review all supporting documents
166 such as the payoff letters and invoices.
167
168 G. **Execution of ORCF Closing Documents.** Once all program and legal requirements are
169 met, the Closer will work with the Lender's Attorney, the Lender, and the HUD Attorney to
170 ensure that HUD signatory closing documents are signed by the appropriate ORCF
171 Authorized Agent in advance of the closing. Documents must not be sent for ORCF's
172 signature without prior, express approval from the Closer.
173
174 H. **Closing Date.** The Closer will work with Once the HUD Attorney and Closer have
175 completed a review of the closing documents a determination will be made by the HUD

176 Attorney in collaboration with the Closer and other parties ~~to help determine~~ on a closing
177 date. -A closing date may be canceled or delayed if program or legal requirements are not
178 fully satisfied. The Closer will be accessible at all times on the closing day to troubleshoot
179 and/or respond to any closing issues that may arise.

- 180
181 I. **Amounts Due to HUD.** The Closer will confirm the correct amount of the Mortgage
182 Insurance Premium (MIP) due at closing and, if applicable, the Inspection Fee, and/or an
183 additional Application Fee. All such payments shall be made through Pay.gov prior to
184 closing and evidenced by appropriate receipts. See Section 9.5 below for more information
185 on required fees and refunds.
186
187

9.3 The Lender

188
189 The following are key responsibilities of the Lender in the closing process. In addition, it is the
190 Lender's duty to keep the Closer informed of any special circumstances related to the closing.
191

- 192 A. **Execution of Firm Commitment.** The Lender should execute and have the Borrower
193 execute the Firm Commitment within 10 business days of receiving the Firm Commitment.
194 Acceptance of Firm Commitments executed beyond 10 business days is subject to ORCF
195 approval.
196
- 197 B. **Amendments to the Firm Commitment.** Material changes to a transaction may require
198 amendments to the Firm Commitment. Any material adverse conditions or changes to any
199 facts or circumstances that would make any information submitted, or which should have
200 been submitted, with the application for mortgage insurance (including without limitation
201 any such information relating financial statements, rent rolls, reports, investigations or other
202 credit risks) incomplete or inaccurate must be disclosed to ORCF. ORCF considers such
203 information to determine whether an amendment to the Firm Commitment is required and/or
204 whether the deal may proceed. No part of the Firm Commitment may be amended without
205 the prior approval of ORCF. To amend the Firm Commitment, the Lender must submit a
206 written request on letterhead to the Closer setting forth the specific changes requested. This
207 request must include documentation to support the requested change(s). When possible, all
208 requested changes to a Firm Commitment must be combined into one request in order to
209 minimize the number of amendments.
210
- 211 1. **Extensions.** Firm Commitments may be extended for periods of time depending on
212 project type; however, processing and underwriting conclusions must be current at the
213 time of any extension. For 223(f) projects, the Closer may extend the Firm
214 Commitment for one 60-day period. For 223(a)(7) projects, the Closer may extend
215 the Firm Commitment for one 90-day period. For new construction projects, the
216 Closer may extend the Firm Commitment in 30-day increments. Extension requests
217 beyond these periods require review and approval by the assigned project ORCF
218 Workload Manager. The Lender's request to amend the Firm Commitment must
219 provide a justification acceptable to HUD that the extension of the Firm Commitment

220 is warranted and necessary in order to accomplish closing by the end of the extension
221 period. Requests for extension must be based upon and must include the following
222 statement ~~(if true)~~: “The requested delay is not likely to change significantly the
223 underwriting data on which the commitment was based or to undermine the feasibility
224 of the project due to a change in the market, inflation, or other factors affecting cost.”
225 If, at the expiration of the extension period, the closing fails to occur, HUD reserves
226 the right to consider the application withdrawn. In that case, the application must be
227 updated and submitted as a new application in order to receive further consideration.
228

- 229 2. **Interest Rate Changes.** ORCF suggests that the interest rate not be locked without
230 confirmation that the closing is moving forward. Locking the interest rate prior to
231 such confirmation will be at the Lender and Borrower’s own risk. HUD will not
232 close a transaction without all program and legal requirements being fully satisfied
233 solely to accommodate a security delivery or obligation deadline. Once the interest
234 rate has been locked, a request to amend the Firm Commitment must be submitted.
235 Such a request must include a revised, signed Maximum Insurable Loan Calculation
236 (Form HUD-92264A-ORCF).
237

238 C. **Satisfaction of Special Conditions.** Evidence of satisfaction of all Special Conditions listed
239 in the Firm Commitment must be provided prior to closing and must be submitted with the
240 draft closing document package. The Closer will provide a Special Conditions Matrix to
241 keep track of the status and documentation related to each Special Condition.
242

243 The following apply to 232 New Construction, Substantial Rehabilitation and 241:

- 244
- 245 1. Deferred Submission items (see the Lender’s Architectural Reviewer and Cost
246 Analyst’s Statement of Work, Section IV.A.12) and/or any additional changes must
247 be identified by addendum(s), must be reviewed by the underwriter of record, and
248 approved by HUD 15 days prior to Initial Closing.
249
 - 250 2. The addendum(s) must include a list of drawing numbers and page numbers with a
251 description of the change(s). Addendum(s) must be clearly noted, and all drawings
252 and specifications affected must have sheets and pages revised and replaced.
253 Addendum(s) shall have no effect on cost or value. The Architect of record and the
254 Lender’s construction analyst must review the addendum(s) for acceptability.
255

256 C.D. **Evidence of Completion of Repairs.**

- 257
- 258 1. Critical Repairs: All critical repairs must be completed prior to closing. Evidence of
259 completion includes a signed and dated Borrower’s Certification — Completion of
260 Critical Repairs (Form HUD-91118-ORCF) along with clear, supporting photographs
261 and invoices. Other items may be requested by the Closer as needed in order to
262 verify that all repairs have been completed.
263
 - 264 2. ~~Non-Critical or Borrower Elected Repairs:~~ Completion of ~~non~~Non-critical repairs
265 prior to closing isare encouraged. If the ~~non~~Non-critical/Borrower elected repairs are

266 not completed by closing, they must be completed within 12-months of closing. An
267 Escrow Agreement ~~for~~ Non-critical; Deferred Repairs ([Form HUD-92476-ORCF](#))
268 must be established, which includes the list of repairs.

269 3.2. If all, or a portion of, the ~~non~~ Non-critical/Borrower elected repairs ([Form HUD-](#)
270 [92117](#)) have been completed prior to closing, the Lender must submit a signed
271 Borrower's Certification-Full or Partial Completion of Non-Critical Repairs. As with
272 critical repairs, clear, supporting photographs and invoices demonstrating proof of
273 completion must be attached. For the remaining repair items, a request to amend the
274 Firm Commitment must be submitted with an attached, revised list of repairs. See
275 above for more information on amendments.

276
277 4.3. See Production, Chapter 10.16 for more information on repairs.

278
279 D.E. **Evidence of Insurance.** Prior to closing, evidence must be provided showing that the
280 project has all required fidelity, property, and professional liability insurance coverages. -The
281 insurance coverages must be current and in conformance with all ORCF requirements. If a
282 policy will expire within ~~one month~~ 30 days of closing, proof of renewal will be required.
283 See Production, Chapter 14, Insurance Requirements, for details on insurance coverage.

284
285 E.F. **Closing Statements and Cost Certifications.**

- 286
287 1. Closing statements, sometimes referred to as settlement statements, are required for
288 all closings. Closers will accept the Sources and Uses page from form HUD-92264a-
289 ORCF (Rev. 1/2023) as the loan closing statement. The final version of the closing
290 statement must be signed by both the Lender and the Borrower and presented prior to
291 closing. At a minimum, the statements must include the following: amounts to be
292 paid to satisfy Borrower's obligations for existing indebtedness; repairs, if any;
293 financing fees; HUD fees; legal expenses; title and recording costs; third-party costs;
294 interest rate premium payments, if any; bond premium payments; other allowable
295 costs; and any Lender-required escrows for taxes, insurance, or other items, ~~and~~
296 including required Debt Service Reserves, as applicable. The statement must also
297 include any cash contribution by the Borrower. For Section 223(a)(7) projects, the
298 closing statement must be supported by current payoff letter(s) and invoices. The
299 closing statement must show the transfer amount of the Reserve Fund for
300 Replacement and any additional initial deposit amount, if required. Also, for Section
301 223(a)(7) projects, the Closer will compare the amount of the transfer of the current
302 replacement reserves on the Closing Statement to the amount in the Lender Narrative.
303 If the amount has decreased by \$20,000 or 20%, the Lender will be asked to
304 recalculate the necessary reserve for replacement deposits. The Lender must provide
305 a letter certifying that the Lender has recalculated the necessary reserve for
306 replacement deposits, considered any changes to the current reserve for replacement
307 since the time of the original firm application, and, that based upon that review, the
308 Lender has notified the Closer of any necessary increases to the initial deposit to the
309 reserve for replacement account or monthly deposit. The ORCF Underwriter must
310 approve any changes to the reserve for replacement requirements. For changes to
311 Reserve amounts, a revised Reserve for Replacement Funding Schedule may be

312 required. ORCF would not anticipate any further changes to the Reserve for
313 Replacement Schedule or required deposits after Closing. Note: security extension
314 fees are not an allowable mortgageable cost.

- 315
- 316 2. If a Borrower’s Certificate of Actual Cost (also known as a “Cost Certification”) is
317 required, it must include the supporting documents such as current payoff letter(s)
318 and invoices. The Cost Certification must be signed by the Borrower and will be
319 reviewed and approved by ORCF. See Production, Chapter 11.15 for more
320 information.

321

322 **F.G. Fees.** The Lender must ensure that all fees due at closing are properly prepared and
323 delivered at closing. Any missing or incorrect fee may result in a delayed closing. See
324 Section 9.5 on Fees Due.

325

326 **G.H. Lender and Lender’s Attorney.** The Lender must at all times work closely with its
327 attorney to ensure all closing requirements are met in a timely manner.

328

329 **H.I. Lender’s Certificate/Request for Endorsement.** The Lender will be required to
330 execute either a Lender’s Certificate or a Request for Endorsement, which include several
331 certifications. It is the Lender’s responsibility to perform any necessary due diligence to
332 allow the Lender to make such certifications accurately.

9.4

General Closing Logistics

335

336 **A. Type of Closing.** ~~ORCF closings may take place with all parties present, a “table closing,”~~
337 ~~or remotely, a “by mail closing.” There may also be a “skeleton closing,” wherein only one~~
338 ~~or some of the parties attend. Although “by mail” or “skeleton” closings are encouraged, the~~
339 ~~HUD Attorney will make the final determination on the type of closing to conduct and will~~
340 ~~provide the Lender and Lender’s Attorney appropriate instructions. By mail closings are~~
341 ~~conducted at the discretion of the HUD Attorney and may be limited in circumstances where~~
342 ~~incomplete or substantially incorrect documents are received or certain circumstances~~
343 ~~demonstrate the need to have a table closing. Under no circumstances should the endorsed~~
344 ~~note be provided to the FHA Lender prior to closing.~~ ORCF closings will be conducted
345 electronically. See Appendix 9.2, Electronic Closing Guidance for more detailed instructions
346 applicable to electronic closings.

347

348 No later than the morning two business days before closing, Lender’s Attorney shall provide
349 the HUD Attorney with a substantially full set of complete closing documents via electronic
350 means. See Section II 9.4.E. for information regarding recorded documents. The electronic
351 copy must include separate files for each document, with file names that reflect the title of
352 the document and the order of the applicable closing checklist, preferably in searchable PDF
353 format. Lender’s Attorney must ensure that all closing documents submitted to the HUD
354 Attorney at closing is consistent with the draft documents previously reviewed and approved
355 by the HUD Attorney and the Closer, and that no modifications to the closing documents

356 (form and non-form) have been made without the HUD Attorney's actual knowledge and
357 written prior approval.

359 B. Under no circumstances will the one original endorsed Note (or a copy or electronic version)
360 be provided to the Lender prior to closing.

361
362 B-C. **Date of Closing.** ~~The Once the HUD Attorney and Closer have completed a review of~~
363 the closing documents the HUD Attorney and Closer, in collaboration, will set a closing date
364 will be set by the HUD Attorney after consultation with the Closer. The closing date will
365 only be set once all programmatic and legal requirements have been fully satisfied. The
366 closing may be cancelled if documents are not satisfactory or if any programmatic or legal
367 requirement is not met: at least four business days before closing.

368
369 All closing documents must be dated with the same date, to the extent possible, which may
370 be prior to the date the Note is endorsed by HUD for insurance. However, the following
371 documents must be dated the date of endorsement (whether Initial, Initial/Final, or Final
372 Endorsement, as applicable, as such terms are defined in the HUD Firm Commitment):

- 373 1. Title insurance policy;
- 374 2. Incumbency Certificates;
- 375 3. All required legal opinion letters;
- 376 4. Lender's Certificate (form HUD-92434-ORCF);
- 377 5. Request for Endorsement of Credit Instrument and Certificate of Borrower,
378 Lender and General Contractor (form HUD-92455-ORCF);
- 379 6. Estoppel Certificates; and
- 380 7. Certificate of No Material Adverse Change.

381
382 C-D. **Documents to be signed by ORCF.** The documents to be signed by ORCF, such as the
383 Healthcare Facility Note (Form HUD-94001-ORCF), the Healthcare Regulatory Agreement
384 —Borrower (Form HUD-92466-ORCF), and any other documents required in the transaction,
385 will be signed by ORCF in advance of the closing. Once the Closer ~~has~~and the HUD
386 Attorney have approved the documents for signature, the Closer will coordinate ORCF's
387 execution of the documents. The Lender and Lender's Attorney must ensure that the
388 documents have been properly prepared and are received by ORCF in sufficient time for
389 execution and shipment. The documents must be in final form before sending them for
390 ORCF signature, and the documents must be the exact versions approved by all parties,
391 including HUD. ORCF will execute a maximum of four copies of the documents; however,
392 to cut down on administrative time two copies are strongly encouraged. Any changes to loan
393 documents, including the endorsed Note, after HUD has signed or approved the documents
394 must be specifically approved in writing by the HUD Closer and HUD Closing Attorney
395 before the changes are made. See Appendix 9, Electronic Closing Guidance for guidance on
396 digital signatures.

397
398 E. **Recording Documents.** ~~Documents may~~Unless other arrangements are made with the

399 specific written approval of the HUD Attorney:

- 400 (i) HUD encourages that documents be recorded in advance of the closing with prior
401 approval from the HUD Attorney- and Closer; however, Borrower and Lender
402 assume all risk thereto.
- 403 (ii) Lender's Attorney must submit documents bearing evidence of recording from the
404 recorder's office or copies certified by the title company to be true and correct
405 copies of each of the recorded documents. The title company's certification
406 should include the date of recording, the document recording information and the
407 recording location.

408
409 Counsel Attorney should refer to the Appendix 9, Electronic Closing Guidance on when
410 Electronic Signatures are acceptable.

411
412 ~~D.F. Closing Day. The HUD Attorney will lead a “table” or “skeleton”~~ The final closing- ~~If~~
413 docket is submitted to the HUD Attorney no later than two days prior to the confirmed
414 closing “by mail,” the Lender’s Attorney, Lender, Owner, Borrower, Borrower’s Attorney,
415 Operator, Operator’s Attorney, and other related parties must be readily available by
416 telephone should date. After submission, the HUD Attorney will review the closing package
417 to ensure that documents are legally sufficient and in conformance with the Firm
418 Commitment and previously approved draft documents. Comments on the final closing
419 docket, if any question or problem arise. All documents-, will be provided to Lender’s
420 Attorney so that documents can be appropriately revised for closing. Any comments must be
421 satisfactory to HUD-, resolved before the endorsed Note can be delivered on the Closing Day.
422 It is HUD's expectation that all documents be in complete and final form, and be the exact
423 same versions as previously submitted and approved-, with only such changes as may be
424 required or approved by HUD. All HUD requirements must be satisfied. Once the closing
425 docket has been approved by HUD and all other conditions of closing have been met, HUD
426 will distribute an electronic scan of the HUD-endorsed Note and will send the physical copy
427 of the HUD-endorsed Note per the Lender’s instructions. At the conclusion of the closing-, on
428 the Closing Day, HUD Attorney will deliver the endorsed Healthcare Facility Note to the
429 Lender’s Attorney either in person or by mail according to the Lender’s instructions.

430
431 ~~E. Closing Document Copies. After closing, the Lender’s Attorney must provide a compact~~
432 ~~disk, or a Zip file, containing scanned copies of the documents accepted by the HUD~~
433 ~~Attorney at the closing. The Closer will provide the details on where to send the disk or file.~~

434 ~~G. As a negotiable instrument, the Note must continue to be prepared, executed, and maintained~~
435 ~~as a single original hard-copy document executed with “wet signatures” and held in the~~
436 ~~Lender’s physical possession. Until determined by HUD, electronic signatures are not~~
437 ~~authorized for the Note. See Appendix 9, Electronic Closing Guidance for other documents~~
438 ~~that must be maintained as a single original hard-copy document executed with “wet~~
439 ~~signatures” and held in the FHA lender’s physical possession.~~

9.5

Fees Due and Refunds

- 442
- 443 A. **Mortgage Insurance Premium (MIP).** A first year MIP fee is due at closing. The amount
- 444 of the fee is listed in the Federal Register, published annually on or about July 1, and varies
- 445 per type of program under which the loan is insured and will be set forth in the Firm
- 446 Commitment.
- 447
- 448 B. **Inspection Fee.** The Inspection Fee varies by program. See Production, Chapter 2, General
- 449 Program Requirements, under each program section for specific amounts and formulas.
- 450
- 451 C. **Additional Application Fee.** If the mortgage amount has increased since the initial
- 452 submission of the Application or the issuance of the Firm Commitment, an additional
- 453 application fee will be required, which will be set forth in the Firm Commitment
- 454 Amendment.
- 455
- 456 D. **HUD Application Fee Refunds.** If the mortgage amount has decreased since the initial
- 457 submission of the Application or the issuance of the Firm Commitment, the Lender may
- 458 request a refund of the application fee after closing. Requests for refunds must be sent to
- 459 OHPrefunds@hud.gov and must include the project name and FHA number in the subject
- 460 line with the Request of Overpayment of Firm Application Fee (Form HUD-91112-ORCF)
- 461 attached. Refunds are sent via electronic transfer.
- 462
- 463

9.6

Closing Section 232/223(a)(7) and Section 232/223(f) Loans

464

465 ~~There are several types of~~ A loan insured under Section 232 pursuant to Section 223(a)(7) ~~loans,~~

466 ~~which are refinances of~~ the refinance of an existing FHA ~~loans such as Insured Mortgage. The~~

467 ~~original loan may have been a~~ new construction, substantial rehabilitation, 223(d), 223(f) and,

468 ~~223(i), 241(a) or another 232/223(a)(7) loan.~~

469

470 A loan insured under Section 232 pursuant to Section 223(f) is the refinance or purchase of a

471 residential care facility project, which may or may not be currently FHA-insured. When sending

472 the draft closing documents for HUD review, documents should be submitted to HUD in

473 accordance with the process set forth in Appendix 9.2, Electronic Closing Guidance. If this

474 method is infeasible for a given transaction, Lender's Attorney should discuss alternative

475 arrangements with the HUD Attorney as soon as possible.

476

477 ~~The Closer checklists and to the HUD Attorney checklists which set forth the documents~~

478 ~~required to close these loans are identified in Appendix 9.1. When sending the draft closing~~

479 ~~documents for HUD review, place the appropriate checklist on top of the closing package;~~

480 ~~additionally, please tab and organize the corresponding documents to match the checklist.~~

481

482 The closings of ~~these two types of~~ 223(f) and 223(a)(7) loans are similar. A few key differences

483 are:

484

- 485 1. No repair Inspection Fee is required for loans processed under Section 223(a)(7).
486
487 2. A cost certification, the Borrower's Certificate of Actual Cost, is required for all Section
488 223(f) loans. This document is only required for Section 223(a)(7) projects that have
489 repairs but did not submit a PCNA. See Production, Chapter 11.15 for full details on cost
490 certifications. All cost certifications will be reviewed and approved by ORCF.
491
492 3. A closing statement is required for all Section 223(a)(7) and Section 223(f) loans;
493 however, for Section 223(f) loans, supporting documentation does not have to be attached
494 to the closing statement if it is provided with the Borrower's Certificate of Actual Cost.
495
496 4. Total Lender's Fees are limited to 2.0% of the mortgage amount for a Section 223(a)(7)
497 loan; they are limited to 3.5% for a Section 223(f) loan. Fees may be up to 5.5% for bond
498 transactions.
499
500 5. The repair escrow coverage for a Section 223(a)(7) loan is 10% of estimated costs; the
501 coverage is 20% for a Section 223(f) loan.
502
503 6. Prior to the closing of a Section 223(f) loan, a conference call between the Borrower and
504 the servicing ORCF Account Executive must be scheduled. This is not required when the
505 loan is insured under Section 223(a)(7)-), but may be requested by HUD in certain
506 circumstances.
507
508 6.7. The Borrower on the existing loan must be the same as the Borrower on the 223(a)(7)
509 loan. If there will be a new Borrower on the 223(a)(7) loan, the new Borrower will need
510 to assume the existing loan to be refinanced with the 223(a)(7) loan and comply with
511 ORCF's CHOP requirements. Note that a change to ownership entities/structure can be
512 done in conjunction with a Section 232 refinance under Section 223(a)(7) of the National
513 Housing Act. In this situation, the required exhibits for the processing of this change are
514 listed on the 223(a)(7) Firm Application Checklist and HUD Refinance Closing Checklist
515 posted on the Section 232 Program website. (See Section III Chapter 7.2)
516
517

9.7

Closing New Construction, Substantial Rehabilitation, Section 241(a) Loans

518
519 Loans insured under Section 232 for New Construction or Substantial Rehabilitation are for the
520 complete construction of a project or for substantial repairs or improvements to an existing
521 project.
522

523 A loan insured under Section 241(a) is a supplemental loan to an existing loan insured by FHA
524 to allow for an addition or improvements to a project.
525
526

527 For the above loans, the closings are either Insured Advances or Insurance Upon Completion. If
528 the loan is for Insured Advances, there are two closings: an initial closing prior to the start of
529 work and a final closing after the completion of the work. If the loan is for Insurance Upon
530 Completion, there is only one closing. Because of the complexities of these types of closings,
531 the following sections provide more closing information.

532
533
534 Loans under Section 241 will require the use of "supplemental" ORCF OMB forms. If the 241(a)
535 loan includes property that is not encumbered by the First Security Instrument, then the First
536 Security Instrument and related loan documents shall be modified to the to include such
537 additional property. The expanded legal description will be used for the supplemental loan
538 documents. A title endorsement to the senior loan policy will be required to insure that the senior
539 mortgage, as modified, remains in a first lien position, and to also include any modifications to
540 the legal description. A Section 241(a) supplemental loan should not be cross-defaulted to the
541 first lien mortgage. A default under the prior recorded mortgage will trigger a default under the
542 Section 241(a) loan, but a default under the supplemental 241 loan should not trigger a default
543 under the first mortgage.

9.8

Initial Closings: Required Forms and Documentation

546
547 In addition to the documents listed below, see Appendix 9.1 for the reference to the checklist of
548 documents required to close these types of loans. Note: there is only one checklist for both the
549 Closer and the HUD Attorney.

550
551 A. **Construction Contract** (Form HUD-92442-ORCF). These contracts may be either Lump
552 Sum or Cost Plus. See Production, Chapter 11.13.A for more information on these contract
553 requirements.

- 554
555 1. Attach the Contractor's and/or Owner's/Mortgagor's Cost Breakdown (Form HUD-
556 232892328-ORCF) as Exhibit A to the contract. This form must be approved and
557 signed by ORCF with the Firm Commitment.
- 558
559 2. Attach the Supplementary Conditions of the Contract for Construction (Form HUD-
560 92554-ORCF). The Davis-Bacon Wage Determination must be included in the
561 specifications. The Closer will confirm with HUD's Office of Davis-Bacon and
562 Labor Standards and Enforcement (DBLS) that the Davis-Bacon Wage Determination
563 is current as of the date of initial endorsement closing. The Lender must
564 certify/confirm in an email to the Closer prior to closing, that the most current and
565 applicable wage decision has been incorporated in the Construction Contract and
566 Specifications prior to closing. See Appendix 4.1, Labor Standards and Enforcement
567 Protocol for information on coordinating with Labor Standards and Enforcement, the
568 office of DBLS. Note: The Davis-Bacon Act is not applicable to the performance of
569 the work under a 241 loan if the senior loan was insured pursuant to Section 223(f).

570

571 3. Attach the AIA Document A201-2017 (or latest addition), General Conditions of the
572 Contract for Construction. The AIA Document A201 may not be altered, except the
573 standard binding arbitration provisions in the AIA Document A201 must be stricken,
574 unless prohibited by applicable state law.

575
576 3.4. An Incentive Payment Addendum is incorporated in the Construction Contract
577 (Form HUD-9244392442-ORCF), if the Borrower and contractor have agreed to such
578 a payment, and there is no Identity-of-Interest between the Borrower and contractor.

579
580 5. A Retainage Reduction Rider may be incorporated into the Construction Contract
581 (Form HUD-92442-ORCF) outlining ORCF's retainage release requirements. See
582 Production, Chapter 10.15.D for more information on retainage reduction

583
584 **B. Owner-Architect Agreement** (AIA Document B108). The Agreement must include the
585 HUD Amendment to the B108 (Form HUD-92408-ORCF), which contains a section for
586 disclosing parties in an identity-of-interest relationship with the Architect. If there are no
587 such parties, then the form should indicate “none.” See Production, Chapter 4.2, Exhibit
588 C, Chapter 10.55 for additional information. The Architect administering the Construction
589 Contract shall not have any identity of interest with Owner, Contractor, and/or any Project
590 subcontractor, or with the Design Architect of record. This form ~~must~~ will be reviewed by
591 ORCF and accepted at the Firm Commitment stage. See Production, Appendix 10.2.B for
592 more information on AIA Document B108.

593
594 **C. Assurance of Completion.** Documentation and HUD review will vary depending on the
595 type of assurance of completion provided. Except for letters of credit, the HUD Attorney
596 must review each type of Assurance of Completion, including the form of bonds where used.

597
598 1. Letters of Credit. These may be used instead of cash for all ~~assurances~~ assurance of
599 completion and escrows required at initial and final closing, or during construction,
600 except for up-front cash escrows. In any instance in which HUD allows the use of a
601 letter of credit (whether for assurance of completion or to satisfy other types of
602 escrow or deposit requirements), the following requirements apply:

603 a. Acceptance of a letter of credit is at the Lender's ~~discretion.~~ However, option,
604 but when used, copies of the letter ~~letters~~ of credit must always be: attached to
605 the escrows and assurance agreements they collateralize.

- 606 i. Unconditional and irrevocable; and
- 607 ii. Issued by a banking institution; ~~and,~~
 - 608 i. ~~Valid and collectible.~~
 - 609 b. ~~—~~

610 b. The Lender is responsible for ensuring that letters of credit are current,
611 enforceable, and acceptable.

612 ~~b.c.~~ The Lender may not be the issuer of any letter of credit without prior written
613 consent of ORCF/FHA Commissioner.

614 ~~e.d.e.~~ HUD will neither look at the letter of credit nor render an opinion as to its

615 enforceability or acceptability; ~~letters of credit are accepted at the Lender's sole~~
616 ~~discretion.~~ See 24 CFR 200.63. The Lender is responsible for providing any
617 ~~funds that cannot be collected on a letter of credit.~~
618

- 619 2. Assurance of Completion for On-Site Improvements.- The Lender or Borrower may
620 impose higher requirements, but must require one of the following as a minimum:
- 621 a. Surety Bonds. The Payment Bond (Form HUD-92452A-ORCF) must be used
622 for payment bonds and the Performance Bond-Dual Oblige (Form HUD-
623 92452-ORCF) must be used performance bonds, unless otherwise required by
624 state law. Each bond must equal 100% of the ORCF estimate of the total for
625 all improvements (Line 53, Contractor's and/or ~~Owner's~~Mortgagor's Cost
626 Breakdown (HUD Form-92328-ORCF). The following requirements must
627 also be satisfied:
- 628 i. The surety must be on the accredited U.S. Treasury list, Circular 570,
629 published annually in the Federal Register on or about July 1;
- 630 ii. The bonds must not exceed limits listed in Circular 570;
- 631 iii. The surety must be licensed to issue bonds in the state where the
632 project is located;
- 633 ~~iii~~iv. GNMA may also be named as an obligor if GNMA securities are
634 being used;
- 635 ~~iv~~v. An originalA power of attorney from the surety company to its agent
636 must be attached to each bond and dated the same day as the bond;
637 and. A certification from the surety company attesting that the power
638 of attorney attached to the certification is authentic and enforceable, is
639 also required. The form of the power of attorney and certification
640 shall be submitted; and
- 641 ~~v~~vi. Payment and Performance bonds are required for Assurance of
642 Completion of on-site improvements where payment for components
643 stored offsite has been approved: (See Production, Appendix
644 10.3.B.6.d).
- 645 b. Completion Assurance Agreement (Form HUD-92450-ORCF). This
646 agreement must be secured by a cash deposit (and/or one or more
647 unconditional, irrevocable ~~letter~~letters of credit) for the appropriate percentage
648 of the ORCF estimate of construction or rehabilitation cost, as described
649 below:
- 650
- 651 ~~i.~~ For projects of less than four stories, ORCF requires a deposit of 15%
652 of the HUD estimate of the cost of construction or rehabilitation ~~cost;~~
- 653 i. For large and for non-elevator ~~projects~~buildings, or elevator buildings
654 with four (4) stories or less;
- 655 ii. For elevator buildings of five (5) stories or more, ORCF requires a
656 deposit of 25% of the HUD ~~estimate~~estimated cost of construction or
657 rehabilitation ~~cost for projects where the structure includes an elevator,~~
658 ~~or the structure is four or more stories.~~
- 659

660 3. Assurance of Completion for Off-Site Improvements. See ~~Lender's Certificate~~Lender
661 Certification (Form HUD-92434-ORCF) for requirements. Materials cannot be
662 stored off-site without the prior written approval of the Lender and HUD. To assure
663 the completion of work which may not be financed with mortgage proceeds, HUD
664 may require submittal of one or more of the following ~~is required~~items:

665 a. ~~A Public Body Agreement acceptable to HUD from the controlling~~
666 ~~jurisdiction giving assurance for installation of utilities, streets or other~~
667 ~~facilities without cost to the Borrower. The Borrower's attorney's opinion as~~
668 ~~to whether the agreement is binding on the public body and succeeding~~
669 ~~administrations is required;~~

670 a. A cash Plans and specifications for the off-site improvements;

671 b. Contracts or other agreements governing the construction of the off-site
672 improvements;

673 c. Off-site Bond – Dual Obligee (Form HUD-92479-ORCF);

674 ~~b.d.~~An escrow using an Escrow Agreement for Offsite Facilities, (Form HUD-
675 91071-ORCF) funded with cash and/or one or more letters of credit deposited
676 with the Lender, a trustee, or an escrow agent acceptable to HUD, ~~or an. The~~
677 ~~letters of credit must be~~ unconditional, irrevocable ~~letter of credit. The and~~
678 ~~for the~~ amount ~~must equal to~~ or exceed ORCF's estimate of the cost of
679 ~~offsite~~off-site facilities; ~~or~~

680 e. ~~Where additional assurance is~~Letter of credit (see Production, Chapter
681 9.8.C.1);

682 f. Evidence of the entity's plans for off-site improvements (if the municipality or
683 other governmental locality will be responsible for completion of those
684 improvements); and

685 ~~e.g.~~Other evidence as deemed ~~necessary~~appropriate by ORCF, ~~one of the~~
686 ~~following will be- (if required: in the Firm Commitment).~~

687 i. ~~Offsite Bond – Dual Obligee (Form HUD-92479-ORCF), or~~

688 ii. ~~A letter of credit.~~

689
690 D. **Building Loan Agreement** (Form HUD-~~92241~~92441-ORCF). This document sets out
691 the responsibilities, conditions, and operating terms between the Lender and the
692 Borrower, including the basis under which insured advances may be made during the
693 construction period. Exhibit C, Disbursement Agreement is required and must set forth
694 disbursements of Project Completion Funds in compliance with 24 CFR 200.54, if no
695 Project Completion Funds, a schedule of Funds.

696
697 E. ~~Lender's Certificate~~Lender Certification (Form HUD-92434-ORCF). All required
698 escrows, deposits, fees, and other amounts must be properly reflected in the Lender's
699 Certificate as well as information concerning other bond obligations, extension fee
700 agreements, and permanent loan commitments. Where permissible prepayment lockout
701 and/or penalty provisions are included in the Healthcare Facility Note, this form may
702 include conditions under which HUD may consider an override of such provisions. An
703 addendum to the Lender's Certificate may be used to clarify certain expenses.
704

- 705 F. **Agreement and Certification** (Form HUD-93305-ORCF). This obligates the Borrower
706 to certify its actual costs of project construction or rehabilitation costs, and to disclose
707 any identity of interest among project participants. It also obligates the Borrower to
708 agree to a reduction of the mortgage amount in certain instances.
709
- 710 G. **Application for Insurance of Advance Mortgage Proceeds** (Form HUD-92403-
711 ~~ORCF~~). An initial draw of loan proceeds may be made on the day of initial closing ~~upon~~
712 ~~recording of, provided that no draw may occur until HUD releases the Security~~
713 ~~Instrument, evidence it constitutes a first lien on the property, and HUD's delivery of the~~
714 ~~initially~~ endorsed Note ~~to Lender~~. This form must be submitted to ORCF for review and
715 approval prior to closing. Supporting documentation including invoices, receipts, or
716 cancelled checks ~~organized~~ with tabs and a summary sheet for each line item, must also
717 be submitted with the draw. A final, fully executed copy of this form must be submitted
718 no later than three (3) days prior to initial closing. See Production, Chapter 10,
719 Construction Period, Appendix 10.2, Instructions for Approval, for additional details.
720
- 721 H. **Escrow Agreement for Operating ~~Deficits~~ Deficit** (Form HUD-92476B-ORCF). Any
722 operating deficit escrow ~~requirements~~ prescribed in the Firm Commitment may be ~~in the~~
723 ~~form of~~ funded with cash, and/or one or more unconditional and irrevocable letters of
724 credit ~~issued to the Lender by a banking institution.~~ (See Production, Chapter 9.8.C.1).
725
- 726 I. ~~Eserow Agreement for Working Capital~~ **Escrow** (Form HUD-92412-ORCF). When
727 the Firm Commitment requires a working capital deposit, the Borrower must
728 ~~deposit~~ escrow with the Lender ~~a cash~~ ~~eserow~~ ~~and~~ /or one or more unconditional and
729 irrevocable ~~letter(s)~~ letters of credit (See Production, Chapter 9.8.C.1) at initial closing. See
730 Production, Chapter 10.15.C.
731
- 732 J. **Minor Movable ~~Equipment~~ Escrow Agreement** (Form HUD-9443-ORCF). When the
733 Firm Commitment requires an escrow for minor moveable equipment, the Borrower must
734 ~~deposit~~ escrow with the Lender ~~a cash~~ ~~eserow~~ ~~and~~ /or one or more unconditional and
735 irrevocable letters of credit (See Production, Chapter 9.8.C.1) at initial closing.
736
- 737 K. **Other Escrows.** Other escrows may be required by the Firm Commitment. Examples
738 include an Off-Site Escrow or a Demolition and Asbestos Removal Escrow.
739
- 740 L. **Fee Payment from Cash Available to Borrower.**
741
- 742 1. Fees Paid at Initial Closing. Excess mortgage proceeds may be used to pay
743 construction costs, permanent loan discounts, and other fees recognized by HUD
744 under paragraph 19 of the Lender's Certificate.
745
 - 746 2. For New Construction, excess mortgage proceeds may also be allocated to the
747 following items:
 - 748 a. ORCF's estimate of the "as-is" value of land or the actual latest arms' length
749 purchase price, whichever is less. The latest arm's length purchase price may
750 include the following connected costs:

- 751 i. Legal fees associated with acquisition of land, zoning, examination of
752 title on the purchase, or defense of title after the purchase;
753 ii. Prepaid special assessments;
754 iii. Interest on bridge loans to purchase property after the date of
755 submission of the initial application for mortgage insurance;
756 iv. Taxes;
757 v. Cost of improvements made to the project site by the Borrower;
758 vi. Cash escrow to cover offsite construction cost;
759 vii. Cost of any demolition reflected in the fair market value of the land
760 (note that payment is approved as demolition progresses);
761 viii. Construction and/or permanent loan discounts required to be paid at
762 initial closing; and
763 ix. Interest shortfall escrow, working capital deposit, initial operating
764 deposit, debt service reserve, non-realty items, and any permanent loan
765 discounts not required to be paid at initial closing.
766 b. The remaining balance may be used to fund approved change orders or be
767 held until final closing.
768
769 3. For rehabilitation of existing construction, excess mortgage proceeds may also be
770 allocated to ORCF's estimate of the "as-is" value of land or the Borrower's
771 acquisition cost/existing indebtedness, whichever is less, and items listed in 2 above.
772
773 4. Restricted Excess Mortgage Proceeds. Restricted excess mortgage proceeds are those
774 excess mortgage proceeds determined not to be available to the Borrower during
775 construction.
776 a. These funds cannot be used to satisfy escrow requirements and must be held
777 until final closing; and
778 b. These funds must be identified in an unused column of the Financial Record
779 of Mortgage Loan Transaction (Form HUD-92451) as restricted funds.
780
781 5. Fees Paid After Initial Closing. Excess mortgage proceeds may be used to fund
782 permanent loan discounts, including those for unitary loans, and construction and
783 permanent loan extension fees for payment after initial closing to the extent
784 recognized by ORCF under paragraphs 19(b), (c) and (d) of the Lender's Certificate.
785 In these instances, loan documents approved by ORCF must provide for the payment
786 of such fees after initial closing, subject to the following:
787 a. The Lender is required to escrow sufficient funds on the Borrower's behalf to
788 cover fees approved in the Lender's Certificate, paragraphs 9(b), for payment
789 after initial closing;
790 b. The Borrower is required to furnish a written agreement to ORCF that any
791 disbursements from the escrow accounts must require ORCF written approval;
792
793 c. A letter of credit will not be accepted at initial closing for any of the amounts
794 to be satisfied from excess mortgage proceeds; and
795 d. Such escrowed excess mortgage proceeds may be released when earned.
796

- 797 M. **Permits, Approvals and Plans.** All building permits and other permits, governmental
798 approvals, for plans and plans specifications required to construct or to rehabilitate the
799 Project improvements must be provided for ORCF review and approval prior to initial
800 closing. Approvals and permits must be unconditional and consistent with the ORCF-
801 approved plans and specifications.
802
- 803 N. **Facility License.** Evidence must be provided at the initial closing that the application
804 process for the facility license has begun, and upon completion of the project, as
805 proposed, a license will be issued. The evidence must be confirmation from the
806 appropriate governing authority. The HUD approved individual entities and roles must
807 be shown on the application for the license at initial closing and on the license at final
808 closing.
809
- 810 O. **Easements and Use Agreements.** All easements and joint use agreements must be
811 approved by ORCF and the HUD Attorney. Beneficial easements required for operation
812 of the project, such as ingress/egress easements, must be part of the collateral and insured
813 legal description.
814
- 815 P. **Additional Agreements.** Any additional agreements that affect the property or financing
816 of the project must be disclosed to ORCF, including, but not limited to, construction
817 agreements; indemnifications, guarantees, and hold harmless agreements; and any other
818 document or information that would require reprocessing of the Firm Commitment,
819 increase Borrower's cash requirements, or increase the General Contractor's bond
820 requirement, or impact the marketability, risk to the project, loan, or Borrower. During
821 construction any easements, use agreements, or other similar instruments must be
822 presented to HUD for review and approval prior to recording them against the project.
823 Note: HUD policy is that the A201 shall not be altered or amended, except with regard to
824 the arbitration provisions in the form. Side agreements may only address matters outside
825 of the material terms of the Construction Contract, and may not negate the rights,
826 obligations, or any other material terms of the Construction Contract, including the form
827 A201.
828
- 829 Q. **Accounts Receivable Financing.** If there is to be accounts receivable financing on new
830 construction projects, final draft versions of the documents will be due at when
831 construction is 70% completion complete. In no event should Accounts Receivable
832 documents be executed without prior HUD written consent.
833
- 834 R. **Deposit Account Control Agreement (DACA) and Deposit Account Instruction**
835 **Service Agreements (DAISA).** ORCF requires that all project Owners and/or Operators
836 maintain appropriate agreements, approved by HUD, perfecting at the Lender's security
837 interest in project accounts. Final draft versions of the documents will be due at 70%
838 construction completion. See Section II, Chapter 16, Section 16.1.
839
- 840
- 841 S. **Required Organizational Documents.** The following organizational documents must
842 be provided for the Borrower, Master Tenant, and Operator. If the signature block for

843 any of these entities includes other entities (“upper tier entities”), organizational
844 documents for those upper tier entities must also be provided:

- 845
846 1. Incumbency Certificate. A certificate dated the date of closing, and signed by the
847 secretary or other authorized representative of the entity (which may be the individual
848 executing the loan documents), stating: The organizational documents attached to the
849 certificate are true and correct copies, and have not been amended, modified,
850 rescinded, or revoked, and remain in full force and effect; and that name(s) and
851 title(s), with specimen signature(s) of the individual(s) authorized to execute the loan
852 documents.
- 853
854 2. Formation Documents. Copies of the entity’s filed formation documents, including all
855 amendments and subsequent filings, certified by the relevant jurisdiction’s Secretary
856 of State, or legal equivalent, within 60 days prior to closing, or such longer period
857 approved by the HUD Attorney.
- 858
859 3. Governing Document. Copy of the entity’s fully executed governing document,
860 including any and all amendments, and including the HUD-Required Provisions
861 found in the legal punchlist applicable to the closing in effect as of the date of Firm
862 Commitment.
- 863
864 4. Authorization. Evidence that the transaction is authorized, and that entity has
865 authority to execute the loan documents and identifying the authorized signatory. If
866 such authorization is not explicitly provided in the entity’s governing document, this
867 may take the form of a resolution, written consent, or other legal equivalent,
868 consistent with local law, custom, and the entity’s organizational documents.
- 869
870 5. Status Certificate. A status certificate from the Secretary of State, or legal equivalent,
871 of the jurisdiction where Borrower is organized evidencing Borrower’s authority to
872 do business (e.g., a Certificate of Good Standing). This status certificate must be
873 dated within 30 days prior to closing, or a longer period if approved by the HUD
874 Attorney. If the entity is not organized in the state, or US Territory, where the Project
875 is located, a certificate from the Secretary of State, or legal equivalent, in the Project
876 state, or US territory, evidencing Borrower’s authority to conduct business in the
877 Project jurisdiction (e.g., a Foreign Status Certificate). Unless required by state law,
878 upper tier entities organized outside the state in which the Project is located do not
879 need to submit evidence of authority to conduct business in the Project’s state.

880
881 **T. Title Insurance Policy.**

- 882 1. Schedule A. Schedule A details the coverage provided by the Title Policy.

- 883 i. Effective Date. The Title Policy effective date must be the same as the date of
884 HUD’s endorsement of the Note with the time shown as 5pm or at least one
885 minute after the time the last document was recorded.
- 886 ii. Policy Amount. The amount of the title insurance coverage, shown in
887 Schedule A, must be the full amount of the HUD-insured Loan. Note: For new
888 construction and substantial rehabilitation loans, HUD requires that the Title
889 Policy insure the full amount of the HUD-insured Loan (e.g., the amount of
890 the Note); pending disbursement endorsements are permitted if the
891 endorsements are consistent with the requirements of this Section. HUD
892 insures all Section 223(a)(7) and Section 223(f) loan amounts in full at the
893 time of endorsement, thus pending disbursement endorsements are not
894 permitted for Title Policies issued with respect to Section 223(a)(7) or 223(f)
895 loans.
- 896 iii. Named Insureds. Schedule A, number 1 lists the insureds for the Title Policy.
897 Lender “and/or the Secretary of Housing and Urban Development, and their
898 successors and/or assigns, as their interests may appear” must be the named
899 insureds on the Title Policy. No other parties, e.g., subordinate Lenders, may
900 be named insureds.
- 901 iv. Estate or Interest in the Land. Schedule A, number 2 identifies the type of
902 estate encumbered by the Security Instrument. The identified estate must be
903 consistent with the Firm Commitment. By statute, Borrower’s estate or
904 interest in the Land must be fee simple or an eligible leasehold. In addition,
905 the Borrower’s statutorily required interest, Schedule A, number 2 must also
906 reference any appurtenant right, including beneficial easements. In such
907 instances, Borrower’s appurtenant right must be distinguished from
908 Borrower’s statutorily required interest (e.g., “fee simple as to [Borrower’s fee
909 simple or leasehold estate] and easement as to [beneficial easement]”).
- 910 v. Vested Title Holder. Schedule A, number 3 identifies the entity that holds title
911 to the Land. Generally, except in the case of a leasehold mortgage, Borrower
912 must be identified as the only vested title holder in Schedule A, number 3. If
913 the Firm Commitment evidences HUD’s approval of an alternative (e.g., air
914 rights, bifurcated ownership, or public entity held fee subject or joined to the
915 Security Instrument), the vested title holder in Schedule A, number 3, must be
916 consistent with the Firm Commitment.
- 917 vi. Insured Mortgage. Schedule A, number 4 describes the instrument(s) that
918 create the mortgage insured in the Title Policy. Both the Security Instrument
919 and the Borrower’s Regulatory Agreement, because it is incorporated into the
920 Security Instrument, must be shown in Schedule A, number 4. The reference
921 to the Borrower’s Regulatory Agreement must state that the Borrower’s
922 Regulatory Agreement is incorporated by reference in the Security Instrument

923 (other legally equivalent phrasing may be used, subject to HUD Attorney
924 approval).

925 vii. Legal Description. The legal description of the Land used in the Title Policy
926 must exactly match the legal description in the Firm Commitment, on the
927 Survey, and in other closing documents except for minor stylistic differences
928 or immaterial reference language. Appurtenant interests shown in Schedule A,
929 number 2 may be listed as separate tracts, parts, or other legal equivalent.

930
931 2. Schedule B. Schedule B provides coverage of Exceptions.

932 i. Standard Exceptions. The Title Policy must not include standard exceptions
933 on Schedule B, unless a standard exception cannot be deleted under applicable
934 state law. Lender and Lender's Attorney are responsible for requesting
935 deletion of standard exceptions from the Title Policy. Affirmative coverage
936 over these matters is not permitted unless such coverage is the only available
937 mitigation under applicable state law. Standard exceptions, sometimes called
938 general exceptions, include, but are not limited to: Rights or claims of parties
939 in possession not shown by the Public Records; Easements, or claims of
940 easements, not shown by the Public Records; Encroachments, overlaps,
941 boundary line disputes, or other matters which would be disclosed by an
942 accurate survey or inspection of the Land; General exception for matters
943 shown on survey, or that would be shown on survey; Any lien, or right to a
944 lien, for services, labor, or material heretofore or hereafter furnished, imposed
945 by law and not shown by the Public Records (aka mechanic's liens); general
946 exceptions for acreage or land size; and Taxes or special assessments that are
947 not shown as existing liens in the Public Records.

948 ii. Senior Record Exceptions. Schedule B must list items identified by title in the
949 land records. In most jurisdictions, title matters senior to the HUD-insured
950 mortgage are shown on a Schedule B-I. Senior record exceptions must either
951 be approved by the HUD Attorney (in consultation with the Closer), or
952 extinguished and removed, affirmatively insured over, or otherwise mitigated
953 to the satisfaction of the HUD Attorney and ORCF, as appropriate. Note:
954 Section 241 supplemental loans will always be subordinate to the senior FHA-
955 insured mortgage and the senior FHA-insured mortgage will appear on
956 Schedule B-I of their title reports. No monetary liens may supersede the HUD
957 FHA-insured mortgage, except supplemental loans insured under Section 241,
958 which will be subordinate, and real estate taxes and assessments for current
959 year that are not yet due and payable.

960 iii. Project Survey Exception. While the general title exception for survey matters
961 is prohibited, minor survey matters expressly noted by the surveyor (e.g., a
962 specific fence encroachment not affecting Borrower's use of or liability for

963 the Land) may be listed as exceptions from coverage in Schedule B, subject to
964 ORCF approval, which may require affirmative coverage if available under
965 state law.

966 iv. Subordinate Record Exceptions. In most jurisdictions, matters subordinate to
967 the Security Instrument are shown on a Schedule B-II. The Borrower's (and, if
968 applicable, Operator's and Master Tenant's) UCC-1 Financing Statement(s)
969 recorded as a fixture filing in the real estate records of the Property
970 jurisdiction must be shown in Schedule B as subordinate to the Security
971 Instrument. Note: HUD does not require that the UCC-1 Financing Statement
972 filed with the Secretary of State, or legal equivalent, in the Borrower's
973 organizational jurisdiction be shown on Schedule B. The legal punchlist
974 describes other documents to be recorded, including Operator's Regulatory
975 Agreement, Operator's Assignment of Leases and Rents, Master Tenant's
976 Regulatory Agreement, Master Tenant's Assignment of Leases and Rents, etc.
977 All documents that are required to be recorded for the particular transaction
978 (other than the Security Instrument and Borrower's Regulatory Agreement)
979 must be shown on Schedule B-II.

980
981 3. Record Exceptions that Appear to Violate Federal Law or the Regulatory
982 Agreement. See Chapter 9.2.D.

983
984 4. Affirmative Coverage (Endorsements) and Deletions to the Title Policy. The Title
985 Policy must include the affirmative coverage (coverage added to the standard
986 policy) and deletions listed below, and any other coverage required by the Closer
987 and the HUD Attorney, except where prohibited by applicable state law.

988 i. Affirmative Coverage, Endorsements. Affirmative coverage extends the
989 insurance provided through the Title Policy by covering additional risks of
990 loss or damage. Affirmative coverage is added to the Title Policy by
991 annotation (e.g., notation of additional coverage directly on a schedule), or
992 through the title company's issuance of standard form endorsements. The
993 affirmative coverage listed below is generally required. When a specific
994 ALTA endorsement number is listed but not available in the Project
995 jurisdiction, the HUD Attorney may accept a state-approved endorsement
996 bearing a different form number, or alternative affirmative coverage, provided
997 that the coverage is substantially similar. The Closer, HUD Attorney, and
998 Lender are each permitted to require additional affirmative coverage not
999 required by this section based on the specific characteristics of the transaction.

1000 a. Comprehensive Coverage over Restrictions, Encroachments, and Minerals.
1001 ALTA Endorsements 9, 9-06, 9.7-06, 9.10-06 (also known as the Series 9,
1002 Comprehensive Endorsement, or Comp 9), as applicable, to provide

- 1003 affirmative coverage related to mortgage divestment, and violations of
1004 restrictions, encroachments, and minerals. In many jurisdictions, the
1005 comprehensive ALTA 9-06 is intended for use with improved residential
1006 property but may also be issued for unimproved property (e.g., new
1007 construction on vacant land). Other jurisdictions have authorized issuance
1008 of a series 9 endorsement specifically for unimproved property. Note: Most
1009 of the ALTA series 9 endorsements specifically exclude certain Schedule B
1010 matters. For that reason, other affirmative coverage (notation or other
1011 endorsement) will be required to extend coverage over such items in
1012 Schedule B, as determined necessary by the Closer and HUD Attorney.
- 1013 b. Private Rights. ALTA Endorsement 9.6.-06 – Loan Policy, to provide
1014 affirmative coverage against loss or damage resulting from options to
1015 purchase, rights of first refusal, rights of prior approval, and other private
1016 charges or assessments.
- 1017 c. Deletion of Arbitration. The Title Policy must provide affirmative coverage
1018 that deletes all references and requirements for arbitration. There is no
1019 published ALTA form for this endorsement
- 1020 d. Zoning. ALTA Endorsements 3.1-06 (completed structure/improved land),
1021 or 3.2-06 (construction/unimproved land), as applicable, when Lender
1022 elects to use a zoning endorsement as the requisite evidence of zoning
1023 compliance. See Instructions to Opinion of Borrower's Counsel (form
1024 HUD-91725-ORCF-INST). When the ALTA 3.2-06 is used, the plans and
1025 specifications reference must be consistent with the Firm Commitment and
1026 the Building Loan Agreement (i.e., the referenced plans and specs must be
1027 consistent with the HUD-approved version).
- 1028 e. Environmental Protection Lien. ALTA Endorsement 8.1-06, to provide
1029 coverage related to lien priority of the Security Instrument vis-à-vis
1030 environmental protection liens as defined in the endorsement. “None”
1031 should be inserted after the colon (:) in the endorsement paragraph (b). If
1032 any environmental protection liens are listed by title in paragraph (b), the
1033 HUD Attorney must consult with the assigned HUD Environmental
1034 Officer. Note: ALTA Endorsement 8.2-06 is not an acceptable alternative
1035 as it applies to commercial property.
- 1036 f. Leasehold. ALTA Endorsement 13.1-06 to provide additional coverage
1037 when the Borrower’s title to the land is via a HUD-approved ground lease.
- 1038 g. Access and Entry. ALTA Endorsements 17-06 (direct access), 17.1-06
1039 (easement access), as applicable, to provide affirmative coverage related to
1040 property access and entry. The access endorsement must be consistent with
1041 the point(s) of access depicted on the Survey.

- 1042 h. Tax Parcels. ALTA Endorsement 18-06 (for Land consisting of a single
1043 parcel) or 18.1-06 (for Land consisting of multiple tax parcels or Land that
1044 includes insured easements), as applicable, to provide affirmative coverage
1045 related to tax parceling risk.
- 1046 i. Contiguity. ALTA Endorsements 19-06 and 19.1-06, as applicable, to
1047 provide additional coverage for Projects consisting of multiple parcels or to
1048 insure the Project is contiguous to a necessary easement.
- 1049 j. Same as Survey. ALTA Endorsement 25-06 or 25.1-06, as applicable, to
1050 provide coverage related to non-objectionable inconsistencies between the
1051 record legal description (Land in Schedule A) and the boundaries identified
1052 on the Project's survey. The survey reference in the endorsement must be
1053 consistent with the date and number revision of the HUD-approved Survey.
- 1054 k. Policy Authentication, Electronic Signature. HUD has approved the use of
1055 the ALTA 2021 Title Loan Policy which provides for validity of the policy
1056 even if the policy or endorsements are issued electronically or lack any
1057 signature. Unless this provision of the Title Policy is otherwise changed or
1058 superseded by state law, ALTA Endorsement 39 (or equivalent) is no
1059 longer required.
- 1060 l. Pending Disbursements. ALTA Endorsements 32-06 and 33-06, to provide
1061 alternative coverage when the title company will only insure a new
1062 construction or substantial rehabilitation loan by deleting Covered Risk
1063 11(a) (mechanic's lien coverage) during the construction of the Project.
1064 HUD only permits deletion of Covered Risk 11(a) and pending
1065 disbursements title coverage for loans closed as new
1066 construction/substantial rehabilitation Insurance of Advances. Pending
1067 disbursements coverage is prohibited when HUD insures the total Loan
1068 amount at endorsement or where mechanic's liens relate back to the start of
1069 construction pursuant to state law.
- 1070 m. Easements and Encroachments. ALTA 28 Series Endorsements, as
1071 applicable, when easements or encroachments are shown on survey and
1072 listed as senior to the Security Instrument in Schedule B.
- 1073 n. Minerals and Other Sub-Surface Substances. ALTA Endorsement 35.1-06
1074 (improved land), or ALTA Endorsement 35.3-06 (land under
1075 development), as applicable, to provide affirmative coverage over Schedule
1076 B exceptions for mineral or other sub-surface substance rights.
- 1077 Note: The 35 series endorsements provide additional coverage that
1078 is not afforded by the Series 9 comprehensive endorsement(s).
1079 Other Resource Extraction. Endorsement, such as CLTA
1080 Endorsement 103.5-06, to provide affirmative coverage when title
1081 or survey show rights of third parties to subsurface resource

- 1082 extraction or surface use of the Land (e.g., mineral or water
1083 extraction, water irrigation, other resource reservations).
1084 o. Utility Access. When required by the Firm Commitment or applicable
1085 closing checklist, ALTA Endorsement 17.2-06 to provide affirmative
1086 coverage related to a Project's access to standard utilities.
1087 ii. Non-Standard Exception Deletions from Policy. The matters listed below
1088 must be resolved prior to closing and deleted from the Title Policy.
1089 Affirmative coverage is not permitted.
1090 a. Taxes. Specific tax liabilities that are not yet due and payable may be
1091 listed on Schedule B. However, all taxes that are liens and payable as
1092 of closing, must be paid prior to closing.
1093 b. Specified Mechanic's Liens. Previously recorded mechanic's liens
1094 shown in Schedule B must be resolved, and the liens removed from the
1095 Title Policy prior to closing.

1096
1097 5. Title Policy Issuance and Escrow Services

- 1098 i. Title Agent Letter of Authority. Where the Title Policy is issued by a title
1099 agent (i.e., not directly by the issuing title company), HUD requires a letter of
1100 authority (aka agency verification letter). The agency verification letter must:
1101 be on the letterhead of the Title Company issuing the Title Policy, be
1102 addressed to HUD and the Lender; include Borrower's name, Project name
1103 and number, policy amount, and title agent's name, and state that the title
1104 agent is in good standing with the title company issuing the Title Policy.
1105 Additionally, the agency verification letter must state that the title agent has
1106 the authority to issue the Title Policy on behalf of the title company for the
1107 project identified in the letter and must be valid as of the date of closing.
1108 Lender's Counsel is responsible for obtaining any necessary updates to the
1109 agency verification letter to ensure compliance with these requirements.
1110 ii. Escrow Services and Closing Protection. HUD generally permits a local title
1111 company branch, title agent, or approved attorney to provide additional
1112 escrow services along with issuance of the Title Policy. The local branch, title
1113 agent, or authorized attorney will close the transaction by ensuring that the
1114 documents are recorded, disbursing the funds to the proper parties, and issuing
1115 the Title Policy.
1116 a. HUD requires a closing protection letter (e.g., ALTA Closing Protection
1117 Letter (ALTA CPL – Single Transactions R-12-01-2015), or an equivalent
1118 form letter authorized by the state regulatory body in the Project
1119 jurisdiction) for all closings where a title agent, approved attorney, or
1120 other individual not directly employed by the issuing title company will

1121 perform escrow services and/or manage original documents required for
1122 closing.

1123 b. The title company issuing the Title Policy must issue the CPL to Lender
1124 and HUD, as their interest may appear. Any liability limitation stated in
1125 the CPL must be equal to or greater than the amount of the HUD-insured
1126 Loan.

1127 c. The CPL ensures that the title agent, approved attorney, or other third-
1128 party escrow agent is authorized to perform the escrow services on behalf
1129 of the title company, and to indemnify the Lender for actual losses caused
1130 by certain misconduct of the closing agent (subject to specific exceptions
1131 and exclusions therein). The CPL must state that the protection afforded
1132 by the CPL is valid as of the date of closing. Lender's Attorney is
1133 responsible for obtaining any necessary updates to the CPL to ensure
1134 compliance with these requirements.

1135 d. HUD will only accept third-party escrow services and related CPLs when
1136 such services and coverage are permitted by state law of the Project
1137 jurisdiction.

1138
1139 **U. Litigation Disclosure.** Litigation docket searches for the Borrower, Operator, and
1140 Master Tenant and the general partner, managing member, or similar controlling
1141 person(s) or entity(ies) of the Borrower, Operator and Master Tenant, must be conducted
1142 in the state, federal district, and bankruptcy courts of the Project jurisdiction and in the
1143 jurisdiction of their principal places of business. The required Attorney's Opinion(s) must
1144 opine on Docket searches and disclose any litigation or other claim pending in any court
1145 or administrative or other governmental body against the Borrower or General
1146 Partner/Managing Member, Operator, or the Project in Exhibit F to the Attorney's
1147 Opinion. All litigation identified by a required docket search and any other claim
1148 threatened in writing and known to Borrower or Borrower's Counsel (including litigation
1149 arising after the date of the litigation docket search but prior to closing), must be
1150 disclosed to the Closer and HUD Attorney in writing. Searches should be run and
1151 analyzed by the Lender no earlier than 30 days before closing and no later than 10
1152 business days before closing. Lenders must disclose newly discovered litigation
1153 ("newly" meaning not previously disclosed to ORCF in the Firm application process) no
1154 later than 5 business days prior to the scheduled closing. The Lender's analysis of the
1155 newly discovered litigation must include the name and a discussion of each newly
1156 discovered claim within the lawsuit and the estimated potential liability; whether each
1157 newly discovered lawsuit is of the type covered by insurance or whether the lawsuit is for
1158 a claim not covered by insurance; the amount of liability insurance available to cover
1159 each newly discovered lawsuit and other pending claims and judgements and the
1160 estimated potential liability for such lawsuits/judgements; and identify who bears the cost

1161 of defense of each newly discovered lawsuit and whether the insurance company is
1162 participating in the defense. ORCF will look to the Lender's Underwriter to provide an
1163 opinion that the litigation is mitigated (e.g., covered by insurance) and will have no
1164 material impact on the project or the underwriting on which the Firm Commitment was
1165 issued. All litigation issues must be cleared by ORCF and the HUD Attorney prior to
1166 closing. Prompt disclosure of the newly discovered litigation will minimize the risks of
1167 delays in closing.

1168
1169 **V. Leases.** The operating lease and the master lease, if applicable, must incorporate the
1170 appropriate HUD lease addendum. Lease payments must be consistent with the Firm
1171 Commitment.

1172
1173 **W. Subordination/SNDA.**

1174 1. Operating Lease and Master Lease. If there is an operating lease and no master lease,
1175 a Subordination Agreement or Subordination Attornment and Non-Disturbance
1176 Agreement (SNDA) is required using form HUD-91110-ORCF. If there is a master
1177 lease, form HUD-92333-ORCF is required. An SNDA is only permitted if there is no
1178 Identity of Interest between the Borrower and Operator or Master Tenant.

1179
1180 2. Commercial Leases. All commercial leases must be subordinate, or subordinated, to
1181 the FHA-insured mortgage by its own terms or through a subordination agreement. A
1182 lessee at arms-length with the lessor (i.e., a non-IOI relationship) may request the
1183 subordination be provided through a subordination, non-disturbance, and attornment
1184 ("SNDA") agreement. ORCF to determine if an SNDA is acceptable.

1185
1186 **X. Intercreditor Agreement.** If there is Accounts Receivable (AR) financing, Lender must
1187 provide copies of all AR loan documents listed on the ICA Schedules or referenced in the
1188 AR loan agreement. The Intercreditor Agreement (ICA) HUD-92322-ORCF must be
1189 consistent with the ORCF-approved AR Terms Memo attached to the Firm Commitment.
1190 Any deviations from the AR Terms Memo must be disclosed to ORCF, and the memo
1191 amended accordingly, if appropriate.

1192
1193 **Y. Special Conditions.** The Closer, in conjunction with the HUD Attorney, will ensure that
1194 all special conditions in the Firm Commitment are adequately addressed and satisfied.
1195 Where a certification is required to satisfy a special condition, the certification must
1196 include the required language per 24 CFR 200.62:

1197
1198 "Each signatory below hereby certifies that the statements and representations of fact are
1199 true, accurate, and complete. This instrument has been made, presented, and delivered for
1200 the purpose of influencing an official action of U.S. Department of Housing and Urban

1201 Development (HUD) in insuring the Loan, and may be relied upon by HUD as a true
1202 statement of the facts contained therein.”

1203
1204 “WARNING: Anyone who knowingly submits a false claim or makes a false statement is
1205 subject to criminal and/or civil penalties, including confinement for up to 5 years, fines,
1206 and civil and administrative penalties. (18 U.S.C. §§ 287, 1001, 1010, 1012; 31 U.S.C.
1207 §3729, 3802).”

9.9

PreconstructionPreConstruction Conference

1209
1210 A PreconstructionPreConstruction Conference is required prior to the start of construction. The
1211 PreconstructionPreConstruction Conference must be scheduled within one week of initial
1212 closing. The Lender is responsible for arranging and facilitating the
1213 PreconstructionPreConstruction Conference ~~– and will identify a PreConstruction Conference~~
1214 Coordinator (PCCC). See Section II, Production, Chapter 10.3 for additional guidance. The
1215 signing of the Plans and Specifications generally occurs at the PreconstructionPreConstruction
1216 Conference. (See Section II, Production, Appendix 10.5) The signing may also be conducted ~~at~~
1217 Closing on the day of closing. See Section II, Production, Chapter 10, Construction Period, for
1218 more information.

9.10

Tax Credits

1221
1222 A. For more information, see Production, Chapter 12, LIHTC and Other Tax Credit Program
1223 Guidance.

1224
1225 Specific to loans involving tax credits, the initial closing documents must include:

- 1226
1227 1. A final detailed Sources and Uses statement of total development costs,
1228 reflecting any revisions to hard and soft costs as reflected on the Firm Commitment’s
1229 Maximum Insurable Loan Calculation. If any funding sources have changed, a
1230 revised Applicant/Recipient Disclosure/Update Report is also required.
- 1231
1232 2. All documents must include conflict language giving the HUD documents supremacy
1233 over other documents. Documents may not include indemnification provisions,
1234 except as otherwise permitted by outstanding HUD guidance.
- 1235
1236 3. A copy of the tax credit syndicator’s equity and construction schedule milestones
1237 must be included at or before initial closing.

1238
1239 B. Tax Credit Equity Contribution:

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1. The required initial equity investment will be reflected in the Firm Commitment as a Special Condition; the initial installment must be advanced at initial closing.
2. Application for Insurance of Advance Mortgage Proceeds. Approval of costs to be funded will be based on those approved in the Firm Commitment, or, if applicable, approved amended Sources and Uses Statement.
3. After the first installment of LIHTC Equity is distributed at initial closing, the subsequent contributions must be made at a time and in a manner during construction to ensure that the underwriting requirements in the Firm Commitment are maintained and met for actual costs.

C. Tax Credit Equity Bridge Loans:

1. Tax credit ~~equity~~ syndicators or investors (with or without an Identity of Interest with the Section 232 Lender) may make equity bridge loans to LIHTC, Historic, or New Markets Tax Credit projects during the construction or substantial rehabilitation period before the property's placed-in-service date. ~~The (See Section II, Production, Section 12.2.B.) If the~~ bridge loan is made to the HUD Borrower, it may be evidenced by a promissory note on HUD's form of surplus cash note (Surplus Cash Note, Form HUD-92223-ORCF) from the Borrower and may be secured by a pledge of the tax credits or of the limited partnership ~~interest or other equity interests~~ but may not be secured by a lien on the real estate. ~~After the placed-in-service date, the bridge loan (See Section II, Production, Section 12.2.B.2.) The pledge of a limited partnership or other equity interests must be released and retired by include a statement that the pay-in-of-pledged interest may not be transferred, nor may the investor's equity transferee exercise any power of attorney over the pledged interest without the prior written consent of HUD and compliance with HUD requirements for a Change of Participants (CHOP) and previous participation clearance.~~
2. An equity bridge loan or other sources such as permitted subordinate debt is a means of securing the Borrower's cash contribution that is required to complete construction before all or portions of the tax credits credit equity and other permitted funding sources are available ~~to be claimed by the equity investor.~~ The placed-in-service date is the date when the newly constructed or rehabilitated property has been completed and its units have been occupied by income-qualified tenants. This is also when the tax credits are officially able to be claimed by the equity investor, and, in the case of LIHTCs, -is evidenced by issuance of Low-Income Housing Credit Allocation and Certification (IRS Form 8609). ~~However, at Final Closing, all funds needed to meet the Borrower's cash contribution must be in the transaction deposited so the sources and uses will balance and the tax credit investors will pay in the equity to retire the equity bridge loan will be retired from tax credit equity or other permitted sources. The equity bridge loan must be retired no later than Final Closing.~~

1286
1287 Once construction has been completed and the certification of costs has been approved by
1288 ORCF, the loan must proceed to final closing. ORCF will issue a Maximum Insurable Mortgage
1289 Letter providing the final mortgage determination. Once the letter is issued, immediate
1290 preparation for final closing must begin. Final closing documents are to be submitted within 30
1291 days of the date of the Maximum Insurable Mortgage Letter. Not submitting closing documents
1292 timely can lead to delays in final closing. See Production, Chapter 11, Cost Certification, for
1293 complete information on cost certifications.

1294
1295 See Appendix 9.1 for the references to the checklist of required documents for a final closing.
1296 Note: there is only one checklist for both the Closer and the HUD Attorney.

1297
1298 **A. Deposit Account Control Agreement (DACA) and Deposit Account Instructions Service**
1299 **Agreement (DAISA).** For all Insurance of Advances projects where the DACA and/or the
1300 DAISA were not approved by HUD prior to initial closing, the final ~~and~~-executed DACA
1301 and/or the DAISA must be submitted to the Closer and the HUD Attorney when the project
1302 reaches 70% construction completion. The final and executed documents must be approved
1303 prior to HUD's approval of the Permission to Occupy. Copies of the final HUD approved
1304 DACA and DAISA must be included in the document submission for Final Endorsement.

1305
1306 **B. Title Evidence at Final ~~Endorsement~~Closing.**

1307 Prior to ~~final-endorsement~~Final Closing, the Lender must provide HUD with a new title
1308 policy, or, if approved by the HUD Attorney, a title endorsement covering the following
1309 matters:

- 1310 1. Showing what, if any, matters have ~~gone on record~~been recorded against the property
1311 since the initial closing;
- 1312 2. Changing Amend the effective date of the ~~title policy~~Title Policy (Date of Policy) to
1313 the ~~daydate~~ of final ~~closing; endorsement of the Note.~~
- 1314 3. If a Modification Agreement or Supplemental Mortgage and Consolidation
1315 Agreement are used, ~~insuring~~ensuring that the mortgage, as modified, or as
1316 supplemented and consolidated, remains in a first lien position. (For mortgages
1317 insured under Section 241, the title endorsement must show that the modified
1318 mortgage retains its lien priority, with the Section 241 lien being subordinate to the
1319 senior FHA-insured mortgage.) Should the title insurance company be unable to
1320 provide such endorsement, or should the endorsement show any lien intervening
1321 between the recordation of the original insured mortgage and the Supplemental
1322 Mortgage, ORCF will not endorse the mortgage for insurance at the increased
1323 amount;
- 1324 4. Deleting the pending disbursements clause; and
- 1325
1326
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1328

- 1329
- 1330 5. Increasing the amount of title coverage insurance if the mortgage amount increased.
- 1331
- 1332 6. ORCF will examine any exception to title, not shown in the title evidence accepted at
- 1333 initial closing, to determine whether or not it affects the value and/or marketability of
- 1334 the project. Any exception which affects the value and/or marketability of the project
- 1335 as determined by ORCF must be removed from the title policy or its effect insured
- 1336 against by the appropriate endorsement to the title policy, at ORCF's discretion.
- 1337

1338 C. **Labor Standards and Enforcement Clearance.** The Office of Davis-Bacon and Labor

1339 Standards ~~and Enforcement~~ must confirm that all Davis-Bacon ~~requirement~~requirements

1340 have been satisfied. The Closer will request clearance for closing from the Office of Davis-

1341 Bacon and Labor Standards ~~and Enforcement.~~ If there are outstanding Davis-Bacon

1342 violations, the Labor Standards ~~and Enforcement~~ Specialist will inform the General

1343 Contractor, the Closer, and the ORCF Construction Manager that deposits to the U.-S.

1344 Treasury must be established as a condition of closing to ensure payment of wages. Final

1345 closing cannot proceed until the violations have been cleared, or the required deposit is

1346 funded. The Office of Davis-Bacon and Labor Standards ~~and Enforcement~~ will provide

1347 approval to proceed to final closing. See Appendix 4.1, Labor Standards and Enforcement

1348 Protocol, for more information.

1349

1350 D. **Incomplete On-site Facilities.**

1351

- 1352 1. Conditions for Approval. It is ~~desirable~~required that all on-site construction be 100%
- 1353 complete before approval of a final advance of mortgage proceeds. However, there
- 1354 may be circumstances where it is necessary that approval of a final advance be given
- 1355 before 100% completion of on-site construction. An itemized list of incomplete items
- 1356 must be attached to the Escrow Agreement of Incomplete Construction (Form HUD-
- 1357 92456-ORCF).
- 1358 a. Approval of a final advance where minor items of on-site construction are
- 1359 incomplete will be given only in cases in which funds are placed in escrow to
- 1360 assure completion of such minor items, as provided in the Certificate of
- 1361 Mortgage Insurance in the Application for Insurance of Advance Mortgage
- 1362 Proceeds, and in the footnote on Request for Final Endorsement (Form HUD-
- 1363 92023-ORCF).
- 1364 b. Approval of a final advance of mortgage proceeds will be given only in those
- 1365 cases in which:
- 1366 i. The items of delayed completion are acceptable to the HUD
- 1367 Construction Manager; and
- 1368 ii. The aggregate estimated cost of completing the items does not exceed
- 1369 2% of the principal amount of the mortgage.
- 1370 iii. Funds must be placed in escrow for the completion of minor items
- 1371 when immediate completion is inadvisable or impossible, due to
- 1372 weather or other conditions beyond control.
- 1373

- 1374 2. Escrow for Completion. With respect to all incomplete items, the amount held in

1375 escrow for completion must be at least 1.5 times the estimated cost of completion.
1376 The amount of any escrow must be sufficient to assure an incentive to complete the
1377 work, taking into consideration a possible rise in cost. Such escrow will be held by
1378 the Lender in accordance with the terms of the Escrow Agreement for Incomplete
1379 Construction (Form HUD-92456-ORCF), and ORCF will ascertain that the items to
1380 be completed are properly identified by attachment to the Application for Insurance
1381 of Advance of Mortgage Proceeds. See Production, Chapter 10.8.I for additional
1382 information.

1383
1384 **E. Incomplete Off-Site Facilities.**
1385

- 1386 1. Approval of a final advance of mortgage proceeds will be given only in those cases in
1387 which: All off-site utilities such as sewer, water, electrical, and gas facilities are
1388 installed and connected, and the buildings are served by safe and adequate all-weather
1389 facilities, either permanent or temporary, for the ingress and egress of pedestrian and
1390 vehicular traffic, including fire apparatus, and all other construction requirements
1391 have been acceptably accomplished ~~or acceptably assured~~ and accepted by the local
1392 authorities.
1393
- 1394 2. Completion of Off-Site Utilities. Until all off-site facilities are completely installed
1395 and connected, as applicable, and the required ingress and egress is provided, HUD
1396 will not process a request for the final advance. In such cases:
 - 1397 a. Any Application for Insurance of Advance of Mortgage Proceeds submitted
1398 for processing will not be treated as approval of a final advance, nor will the
1399 submission of Request for Final Endorsement. Instead, the Application for
1400 Insurance of Advance of Mortgage Proceeds may be treated as an ordinary
1401 application for advance of mortgage proceeds and may be approved in an
1402 amount which, when added to previous advances of mortgage proceeds, will
1403 equal 90% of the total advances to which the Borrower will be entitled at
1404 100% completion.
 - 1405 b. Following 100% completion of all off-site facilities, ORCF will require
1406 submission of a new Application for Insurance of Advance of Mortgage
1407 Proceeds for approval of the final advance and subsequent submission of an
1408 updated Request for Final Endorsement.

1409
1410
1411
1412 **F. Security and Start of Amortization.**
1413

- 1414 1. Non-Realty Items. All non-realty items must be covered by the mortgage lien or
1415 security agreement, or both, whether or not paid for with mortgage proceeds, ~~so long~~
1416 ~~as such items are reasonably necessary to operate the project for the Approved Use.~~
1417 Any items not secured at initial Closing must be secured at final closing.
1418
- 1419 2. Start of Amortization. Whether construction has been completed or not, amortization
1420 must start on the date specified in the Note, unless a deferment has been

1421 recommended by the Lender and approved in advance by ORCF. If the loan is
1422 collateral for a Ginnie Mae mortgage-backed security, then Ginnie Mae’s written
1423 acknowledgement that it is acceptable to delay principal payments via a loan
1424 modification is required. Any request for deferment of amortization must include a
1425 copy of the request submitted to Ginnie Mae and will be reviewed by the Closer,
1426 ORCF Account Executive, and the HUD Attorney.

1427
1428 **G. Change in Mortgage Amount.**

1429
1430 1. Decrease in Mortgage Amount.

1431 a. Modification Agreement. If there is a mortgage decrease based upon HUD’s
1432 final mortgage determination, a draft Modification Agreement must be
1433 submitted prior to final closing. The Modification Agreement must amend the
1434 Security Instrument and set forth the new mortgage amount. HUD will
1435 endorse the ~~HealthCare~~Healthcare Facility Note for the decreased mortgage
1436 amount.

1437 i. The following provision must be included in the Modification
1438 Agreement:

1439 “Nothing in this Agreement shall waive, compromise, impair or
1440 prejudice any right HUD may have to seek ~~judicial~~ recourse of any
1441 breach of that certain Regulatory Agreement executed by the parties
1442 hereto, recorded on even date with the Security Instrument, which
1443 breach may have occurred prior to or may occur subsequent to the date
1444 of this Agreement. In the event that HUD initiates an action for breach
1445 of said Regulatory Agreement and recovers funds, either on HUD’s
1446 own behalf or on behalf of the Project or the Borrower, those funds
1447 may be applied, at the discretion of HUD, to payment of the delinquent
1448 amounts due under the ~~HealthCare~~Healthcare Facility Note or the
1449 Security Instrument or as a partial prepayment of the Healthcare
1450 Facility Note.”

1451 ~~Prior to final endorsement,~~“Nothing in this Agreement in any way
1452 impairs the Note or the Security Instrument or any other security now
1453 held for the indebtedness evidenced by the Note, as amended, and
1454 secured by the Security Instrument, or alters, waives, annuls, varies, or
1455 affects any provision, conditions or covenants therein, nor affects or
1456 impairs any rights, powers or remedies under the Note, Security
1457 Instrument, or Regulatory Agreement, nor changes the priority of the
1458 lien created by the Security Instrument or the encumbrance of the
1459 Regulatory Agreement, except as specifically provided herein, it being
1460 the intent of the parties that the terms and provisions of the Note,
1461 Security Instrument, and the Regulatory Agreement continue in full
1462 force and effect except as modified hereby.”

1463 i.ii. The Modification Agreement must be properly executed ~~and~~prior to
1464 final closing and must be recorded in the real property records of the
1465 county in which the project is located. HUD requires recordation prior
1466 to or on the day of closing but may authorize deviation from this

1467 standard on a case-by-case basis in jurisdictions where pre-recording
1468 or contemporaneous recording on the date of closing is not possible.
1469 Borrower and Lender assume all risk related thereto.

- 1470 b. The Healthcare Facility Note ~~may~~shall be modified, with an allonge or rider,
1471 to set forth the decreased mortgage amount and the new amortization
1472 schedule. ~~Any such~~Such modifications are subject to HUD approval.
1473 c. HUD must approve appropriate title evidence related to the modification(s), as
1474 set forth above.
1475

1476 2. Increase in Mortgage Amount. If ORCF approves an increase in the mortgage
1477 amount, the following documents must be submitted to HUD for approval prior to
1478 final ~~endorsement~~closing:

- 1479 a. Supplemental ~~HealthCare~~Healthcare Facility Note.
1480 i. The Lender must prepare a Supplemental ~~HealthCare~~Healthcare
1481 Facility Note acceptable to HUD, entitled “Supplemental
1482 ~~HealthCare~~Healthcare Facility Note.”
1483 ii. This document must contain a cross-default provision with the original
1484 ~~HealthCare~~Healthcare Facility Note.
1485 iii. The principal amount of the Supplemental ~~HealthCare~~Healthcare
1486 Facility Note must be for the amount of the increase to the mortgage,
1487 not for the new total mortgage amount.
1488 iv. The amount of the payments to principal must be sufficient to amortize
1489 the increase amount over the mortgage term.
1490 b. Supplemental Security Instrument.
1491 i. The Lender must prepare a Security Instrument acceptable to HUD,
1492 entitled “Supplemental Security Instrument.”
1493 ii. This document must contain a cross-default provision with the original
1494 Security Instrument.
1495 iii. The Supplemental Security Instrument must encumber the entire
1496 project and must secure repayment of the Supplemental
1497 ~~HealthCare~~Healthcare Facility Note.
1498 c. Modification and Consolidation Agreement.
1499 The Lender must prepare a Modification and Consolidation Agreement,
1500 acceptable to HUD, to be recorded in the real property records in the property
1501 jurisdiction. Such documents must evidence the following:
1502 i. The original Healthcare Facility Note and the Supplemental Healthcare
1503 Facility Note will be deemed one indebtedness; and
1504 ii. The original Security Instrument and the Supplemental Security
1505 Instrument will be deemed to secure one indebtedness.
1506 iii. The original Security Instrument shall be modified to provide for
1507 cross-default with the Supplemental Security Instrument.
1508 iv. The original Healthcare Facility Note shall be modified to provide for
1509 cross-default with the Supplemental Healthcare Facility Note.
1510 d. Borrower’s Attorney’s Opinion. The Borrower’s Attorney must give an
1511 opinion, in a format approved by HUD, with respect to the documents
1512 evidencing the increased mortgage amount. The Borrower’s Attorney opinion

1513 specifically supplements the opinion given at Initial Closing and addresses
1514 any modifications to the Loan documents that the HUD Closing Attorney has
1515 found to warrant an updated opinion, including without limitation, the
1516 following:

- 1517 i. The enforceability of the documents evidencing any modification to
1518 the insured Loan's terms, including a modification agreement,
1519 consolidation agreement, supplemental note, supplemental security
1520 instrument, supplemental UCC-1 Financing Statement, or any and all
1521 of the foregoing, and the continued first-priority position of the insured
1522 Loan's lien;
 - 1523 ii. Any land use restrictive agreements or extended use agreements, or
1524 any other restrictive covenants, that have been placed on the property
1525 since Initial Closing, including those connected with LIHTC, if not
1526 covered in the initial opinion; and
 - 1527 iii. Disclosure of any material modifications to the documents covered by
1528 the opinion given at Initial Closing, including any amendments or
1529 changes to the legal description.
- 1530 e. Title evidence approved by HUD.

1531
1532 **H. Application for Insurance of Advance of Mortgage Proceeds.** For the contractor's
1533 remaining retainage and any outstanding costs to be paid at final closing, the Borrower and
1534 Lender must execute this form. The form must be accompanied by a completed Contractor's
1535 Requisition (Form HUD-92448-ORCF), signed by the contractor ~~and the architect~~.

- 1537 1. If no items of on-site construction are incomplete, enter "None" in the space provided
1538 for the amount of the escrow deposit on the form.
- 1539
1540 2. If items of on-site construction are incomplete and an escrow deposit is required;
1541 ~~attach an itemized list of incomplete items and~~ enter the amount of the escrow deposit
1542 required.
- 1543
1544 3. The Closer will determine if:
 - 1545 a. any items of on-site construction are incomplete;
 - 1546 b. any off-site facilities are incomplete;
 - 1547 c. any revisions are required in connection with hazard insurance; and ~~if~~
 - 1548 d. if the necessary non-realty items have been ~~submitted~~purchased.
- 1549
1550 4. The Closer will obtain ORCF approval signatures on the Application for Insurance of
1551 Advance of Mortgage Proceeds and the Contractor's Requisition. Electronic copies
1552 will be forwarded to the HUD Attorney and the Lender.

1553
1554 **I. As Built Survey.** The final as-built survey must be dated within 120 days of closing. The
1555 term "dated" means the surveyor's certification must show that the survey was made "on the
1556 ground" within 120 days prior to closing. The survey ~~accompanying this request~~ must show
1557 the exact location of all buildings, water, sewer, gas and electric mains, and all easements for
1558 such existing utilities. The survey must be prepared, signed, and sealed by a licensed

1559 surveyor and must include a certification in the format set out in the Survey Instructions and
1560 Owner's Certification Minimum Standard Detail Requirements for ALTA/NSPS Land Title
1561 Surveys.

- 1562
- 1563 J. **Permits, Licenses and Approvals.** All building permits and other applicable permits,
1564 licenses, and governmental approvals required to own and operate the project must be
1565 provided for HUD review and approval including, but not limited to, the Certificate of
1566 Occupancy ~~and the Certificate of Need~~ or similar documentation, such as Certificate of
1567 Completion, is required for each building permit issued for the project; there should be no
1568 open building permits on the date of final closing.
- 1569
- 1570 K. **Lender Letter of Loan Status.** The Lender must submit a letter, on company letterhead
1571 dated the day of final closing, stating that the loan is current. This may be combined with the
1572 Current Payment Letter.
- 1573
- 1574 L. **Request for Final Endorsement.** An updated and fully executed Request for Final
1575 Endorsement (HUD Form-92023-ORCF) must be submitted and reflect any material change
1576 made from the time of cost certification.
- 1577
- 1578 M. **Insurances.** Proof of acceptable insurances for professional liability, property, and fidelity
1579 must be provided.
- 1580
- 1581 N. **Request for Release of Escrows.** To release any escrow for a change order, minor
1582 moveables, or working capital, submit a Request for Approval Advance of Escrow Funds
1583 (Form HUD-92464-ORCF).
- 1584
- 1585 O. **Facility License.** The facility license must be current ~~with the correct~~. The number of
1586 beds/units shown on the license must be for, at a minimum, the number of beds approved in
1587 the Borrower Regulatory Agreement executed at Initial Closing and the name on the license
1588 must be the entity name(s) approved as the licensees in the Firm Commitment underwriting.
1589 If the facility license is set to expire within 30 days after final closing, evidence must be
1590 provided, and found satisfactory to the Closer and HUD Attorney, that a request to
1591 extend/renew such license has been submitted to the licensing authority.
- 1592
- 1593 P. **Current Payment Letter.** The Lender must provide evidence a certification from the Lender
1594 addressed to HUD on company letterhead that all impound payments, such as for debt
1595 service, Reserve for Replacements, and taxes and insurances, are current.
- 1596
- 1597 Q. **Secondary Financing.** If any secondary financing sources are utilized, the source and
1598 amount will be verified against what was approved in the approved cost certification. ~~(See~~
1599 Production, Chapter 3.15).
- 1600
- 1601 R. **Lease.** The operating lease and master lease (if applicable) must be executed and meet all
1602 ORCF lease requirements. The Lender must also demonstrate that the amount of the lease
1603 payment conforms to ORCF's requirements. ~~(See~~ Production, Chapter 8.6).
- 1604

1605 S. **Counsel Opinion.** A Supplemental Opinion of Borrower, Operator, and/or Master Tenant
1606 Counsel, as applicable, addressing any items deferred at initial closing (e.g., facility license,
1607 DACA, DAISA) is required at Final Closing, even if there is no increase or decrease in the
1608 mortgage loan amount.

1610 T. **Updated Organizational Documents.**

1612 1. A Borrower, Operator, and Master Tenant, as applicable, must provide a signed
1613 certification as to incumbency that:

- 1614 a. confirms that no changes have been made to the entity's organizational
1615 documents, including incumbency, delivered to HUD at initial closing, or
1616 b. identifies any changes made to the entity's organizational documents that were
1617 delivered to HUD at initial closing and attaches copies of the amendments or
1618 other documents affecting such changes.

1620 2. Current authorizing resolution, if required, or certification by an appropriate officer of
1621 the entity that the authorizing resolution given at Initial Closing covers the Final Closing
1622 and is still in effect (including any increase in the Loan amount).

1624 **9.12**

**Insurance Upon Completion – New
Construction, Substantial Rehabilitation
and Section 241(a)**

1625
1626 Section 232 New Construction, Substantial Rehabilitation and 241(a) projects that are Insurance
1627 Upon Completion only have a final closing, which is addressed in Section 9.11 above.

1629 **9.13**

**Closing Section 223(d) Operating Loss
Loans and Section 232(i) Fire Safety
Equipment Loan Insurance Programs**

1630
1631 A loan insured under Section 223(d) is an Operating Loss Loan provided to a project
1632 ~~owner~~Borrower with a current FHA-insured loan. To be eligible, a project must have
1633 experienced operating losses incurred during the first two years after project completion, or any
1634 other 2-year period within the first 10 years after completion. ~~A credit subsidy is required for~~
1635 ~~this type of loan. After the acceptance of the Firm Commitment, ORCF will request HUD~~
1636 ~~obligate a credit subsidy. If HUD so obligates, the Firm Commitment will be extended 60 days~~
1637 ~~after the date of obligation.~~

1639 Section 232(i) sets forth the requirements for the Fire Safety Equipment Loan Insurance
1640 Program. This type of loan insurance is provided for nursing homes, skilled nursing facilities,
1641 assisted living facilities and intermediate care facilities to purchase and install fire safety
1642 equipment, ~~primarily fire sprinkler systems~~. Qualified loans must be secured by a lien that may
1643 be superior or inferior to other liens.

1644
1645 For both these types of loans, see Production, Chapter 2, Eligible Section 232 Mortgage
1646 Insurance Programs, and Chapter 3, Loan Sizing, for more details. ~~Consult with the Closer for~~
1647 ~~closing document requirements.~~ Loans under 223(d) and 232(i) will require the use of the
1648 “supplemental” ORCF OMB forms. The insured loan will be subordinate to the senior FHA-
1649 insured loan.

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