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| **Request for Permission to Commence Construction Prior to Initial Endorsement for Mortgage Insurance**  Section 242 | **U.S. Department of Housing and Urban Development**  Office of Hospital Facilities | OMB Approval No. 2502-0602  (Exp. 4/30/2026) |

**Public Burden Statement:**

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless such collection displays a valid OMB control number. Public reporting burden for this collection of information is estimated to average 1 hour per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. The information requested is required in order to receive the benefits to be derived. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the U.S. Department of Housing and Urban Development, Office of the Chief Data Officer, Attention: Departmental Clearance Officer, 451 7th Street SW. Room, Washington, DC 20410 or email [Hospitals@hud.gov](mailto:Hospitals@hud.gov). HUD collects this information, pursuant to Section 242 of the National Housing Act and regulations at 24 CFR Part 242, in order to review Section 242 applications to determine eligibility, underwrite insured hospital loans, ensure adequate collateral, process initial/final endorsement, manage FHA’s hospital portfolio, monitor and manage risk, and ensure ongoing compliance with regulations. No confidentiality is assured.

**Warning:**Any person who knowingly presents a false, fictitious, or fraudulent statement or claim in a matter within the jurisdiction of the U.S. Department of Housing and Urban Development is subject to criminal penalties, civil liability, and administrative sanctions.

TO THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Re: Project No.

The undersigned proposed borrower and contractor in connection with the subject project request HUD’s permission to commence construction prior to the initial endorsement of the Note for insurance (“initial endorsement”). This request is referred to as the “Request.”

It is agreed that in consideration of such permission being granted, it will be upon the following terms and conditions.

1. All construction prior to initial endorsement is to be at the risk of the proposed borrower.
2. The Borrower must notify HUD of the date when construction is to commence, which is defined as that date upon which initial site clearance and preparation and/or excavation is begun. HUD shall be granted access to the site to inspect the project as requested.
3. A release of liens will be furnished by the contractor and by each subcontractor who performed any work or services to the project. Such release is to be delivered to the lender at the initial endorsement of the mortgage for insurance.
4. No construction, site work, or demolition has commenced unless previously approved by HUD in writing.
5. No early start construction, site work or demolition will commence on this project until HUD has approved of this Request in writing.
6. No construction shall be commenced prior to issuance of the Davis Bacon wage decision for the project by the Secretary of Labor.
7. A non-refundable inspection fee shall have been paid to HUD (such fee to be based on the estimated cost of the work to be performed prior to initial endorsement).
8. There is submitted herewith an executed Agreement and Certification (HUD-93305-OHF).
9. There is submitted herewith a conformed copy of the executed Construction Contract (HUD-92442-OHF) or a copy of the executed Construction Management Agreement. The work covered by said Construction Contract or Construction Manager Agreement must include, at a minimum, the work that is proposed to be performed prior to initial endorsement.
10. There is submitted herewith grading, building and/or other permits (as applicable) required by state and local governmental authorities to cover the work to be performed prior to initial endorsement.
11. Permanent financing has either been arranged as evidenced by the attached copy of the Lender’s commitment; or an application for permanent financing has been filed with GNMA.
12. The project land is owned in fee simple or held pursuant to a ground lease that will terminate 50 years after the date of initial endorsement or is 99 years and renewable.
13. The date upon which the Commitment for Insurance of Advances requires the first payment to principal to be made shall be considered amended so that the total period allowed therein for construction and occupancy shall begin on the first day of the first month after the date of execution of this agreement by the lender.
14. It is understood that approval of this Request by HUD shall not be construed as varying the terms of the outstanding Commitment for Insurance of Advances except to permit the commencement of construction prior to endorsement for mortgage insurance and as provided in paragraph 13, hereof, and the mortgage will not be endorsed unless all other Commitment requirements are complied with.

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| Contractor Name: | |
| Signature of Contractor: | Date (mm/dd/yyyy) |

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| Borrower Name: | |
| Signature of Authorized Official: | Date (mm/dd/yyyy) |

The undersigned lender in the Commitment for Insurance of Advances consents to the foregoing Request and agrees, in consideration of the HUD’s approval, that all mechanics’ and materialmen’s liens and encumbrances filed or recorded before the first advance is made on said mortgage, will be discharged on record before any advances are made, or, if not so discharged, no advances will be made on said mortgage.

It is understood that the Federal Housing Commissioner will not be held responsible for any liens or any other objection to title which might result from the fact that construction of this project commenced prior to recordation of the insured mortgage, and shall not in any respect be deemed to have approved the title prior to closing of the transaction or to have waived in any way the provisions of FHA Regulations which place the responsibility of mechanics’ and materialmen’s liens upon the lender and the date of completion of the project shall be advanced as set forth in agreement # 13 above.

Approved by:

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| Lender Name: | |
| Signature of Authorized Official: | |
| Printed Name, Title: | Date (mm/dd/yyyy) |

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| Signature of HUD Official: | |
| Printed Name, Title: | Date (mm/dd/yyyy) |