
CHAPTER 5. MORTGAGE CREDIT PROCESSING USING CUPS

- 5-1. MORTGAGE CREDIT PROCESSING USING P2264M PROGRAM. Upon receipt of the conditional or firm Form [HUD-92013](#) for processing, the Loan Specialist will begin the credit investigation and financial analysis of the applicant. Individual or commercial credit reports (if not submitted) must be ordered and inquiries to bank and trade references must be initiated. Each principal sponsor and the general contractor will have submitted current financial statements. Detailed instructions for Mortgage Credit Processing are contained in Handbook 4470.1.
- a. For Sections 207 and 221(d)(4) projects, the loan specialist will complete a 2264A Final Data Entry Worksheet (Appendix 9) for the following information.
- (1) Project Number. Enter the three-digit office code followed by the five-digit project number.
 - (2) Project Name. Enter the appropriate project name for Mortgage Credit's reference.
 - (3) Item 15. Land indebtedness (or cash required for land acquisition). Enter the appropriate dollar amount for land indebtedness. The Loan Specialist should not rely on the dollar amount shown on the Form [HUD-92013](#). A copy of the land purchase agreement which indicates the latest arms-length purchase price and/or current indebtedness is a required mortgage credit exhibit and should be retained in the Mortgage Credit control binder. The Loan Specialist should reconcile any difference between the dollar amount on the application and the land purchase agreement prior to Form FHA-2264-A data entry into CUPS.
 - (4) Item 10. Enter the percentage of BSPRA to be waived: Enter the appropriate percentage in NNN.NN format. If the application indicates that any amount other than 100 percent will be waived, the Loan Specialist should contact the principals to confirm the correct percentage.
 - (5) Item 16. Architect (Design). Enter the dollar amount to be waived.
 - (6) Item 17. Enter the percentage of builder's profit to be waived in NNN.NN format.
 - (7) Item 18. Other. Enter the dollar amount for any other

fees to be waived that are not listed in item numbers 10, 16 and 17.

- (8) Item 19. Government National Mortgage Association (GNMA). Enter the percentage of additional marketing fees not included in the mortgage in NN.NN format.
 - (9) Item 20. Federal National Mortgage Association. (FNMA). Same procedure as Item 19.
 - (10) Item 21. Enter the percentage of other fees not included in the mortgage in NN.NN format.
 - (11) Item 22. Permanent Loan. Enter the percentage of discounts required but not included in the mortgage in NN.NN format.
 - (12) Item 23. Construction Loan. Same procedure as Item 22.
 - (13) Item 24. N/R Items Not Included in Mortgage. Based on the "per bed" factor received from the Cost Branch, corresponds to the dollar amount to be deposited for non-realty items not included in the mortgage and enter it on this line.
 - (14) Source of Funds. For Sources 1-A through 5-E, enter the date of the financial statement in MM/DD/YY format which corresponds to the coded name on the financial statement worksheet. Then enter net asset dollar amounts determined by the financial analysis for each corresponding coded sponsor. If any principal has a deficit working capital position, enter the dollar amount preceded by a minus sign. For example, if the results of the financial statement analysis indicate that Source A has a deficit working capital position of minus \$50,000, enter -50000 on the worksheet. However, the P2264M program will not include the minus amount in the total dollar amount.
 - (15) The Loan Specialist will sign and date the worksheet and forward it with the financial statement worksheet and supporting schedules to the Mortgage Credit Branch Chief for review and approval.
- b. For Section 223(f) projects, the Loan Specialist will complete a 2264A Final Data Entry Worksheet (Appendix 10) for the following information.

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- (1) Project Number. Enter the three-digit office code followed by the five-digit project number.
 - (2) Project Name. Enter the appropriate project name for Mortgage Credit's reference.
 - (3) Item 1. What is the total existing indebtedness/purchase price? (Delete whichever is not applicable). Enter the total existing indebtedness if a refinance transaction, or the purchase price if a purchase transaction.
 - (4) Item 3. Municipal, if required. Enter any municipal fees determined eligible being charged the mortgagor in connection with the project.
 - (5) Item 4. Architectural or Engineering, if required by HUD. Enter the total dollar amount for architectural or engineering fees required by HUD.
 - (6) Item 5. Other Fees. Enter the total dollar amount for any other fees determined eligible.
 - (7) Item 10. Finance Fee in Percent (%). Enter the percentage of the financing fee in NN.NN format.
 - (8) Item 11. Mortgage Insurance Premium in Percent (%). Enter the mortgage insurance premium percentage in NN.NN format.
 - (9) Item 12. Examination Fee in Percent (%). Enter the examination fee percentage in NN.NN format.
 - (10) Item 13. FNMA Fee in Percent (%). Enter the FNMA fee percentage in NN.NN format. Enter zero if GNMA Mortgage-Backed Securities are utilized.
 - (11) Item 14. Discounts, if allowable, in Percent (%). Enter the percentage of discounts in NN.NN format determined to be eligible for inclusion in the mortgage. (Use Item 21 for additional discounts).
 - (12) Item 15. What is the Replacement Reserve on Deposit? Enter the dollar amount for Replacement Reserve presently on deposit.
 - (13) Item 16. Initial Operating Deficit. Enter the dollar amount for the computed initial operating deficit.
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- (14) Item 17. Are there any required escrows? Check Yes or No as required. If the reply is No, no further prompts will apply. If the reply is Yes, indicate FNMA, GNMA or other, then enter the percentage of escrow required in NN.NN format. In the case of a GNMA escrow, the percentage is 1-3/4 and entered as 1.75.
- (15) Item 18. What is the amount expended by the mortgagor to meet front money requirements? Enter the dollar amount expended by the mortgagor to meet front money requirements; e.g., examination fee, municipal fees, or other fees if appropriate.
- (16) Item 19. Enter the GNMA fee in dollars. Enter the dollar amount of the GNMA fee; e.g., \$500 if mortgage-backed securities are to be utilized.
- (17) Item 20. Enter any other indebtedness. Enter the dollar amount for any other indebtedness not included in Item 1. (Not applicable in a Purchase).
- (18) Item 21. Enter % of any discount over and above those eligible for inclusion in the mortgage. Enter the percentage in NN.NN format of any discounts over and above those shown in Item 16.
- (19) Item 22. Will Initial Deposit to the Reserve Fund for Replacements be Funded by the Purchaser? This item is applicable to a purchase transaction only. Check Yes or No as required. If the reply is No, no further prompts will apply. If the reply is Yes, the program will prompt, "How much of the required Initial Deposit to the Reserve Fund for Replacements will be funded by the Purchaser? Enter the appropriate dollar amount for response to this prompt.
- (20) Source of Funds. For Sources 1-A through 5-E, enter the date of the financial statement in MM/DD/YY format which corresponds to the coded name on the financial statement worksheet. Then enter net asset dollar amounts determined by the financial analysis for each corresponding coded sponsor.
- (21) The Loan Specialist will sign and date the worksheet and forward it with the financial statement worksheet schedules for the review and approval of the Mortgage Credit Branch Chief.

- c. Upon approval of the 2264-A worksheet by the Branch Chief and completion of Valuation Form FHA-2264 processing, the Loan Specialist will forward the worksheet to the terminal operator for entry into CUPS.
- d. The terminal operator will execute the P2264M program, Option 4, according to instructions contained in Handbook 2361.13, Chapter 3, Paragraph 3-16.
- e. Upon completion of the P2264M program, the terminal operator will return the worksheet with the Form FHA-2264-A printout to the Mortgage Credit Branch. The Loan Specialist will review the data input and printouts for accuracy. If corrections are necessary, he/she will return the worksheet to the terminal operator for a program rerun.
- f. The Loan Specialist will review the printout of the final Form FHA-2264-A and make a comparison between the cash requirements identified in Section 2, Part A, Line 12 and the total cash available for the project identified in Section 3. If this comparison discloses that the sponsors do not have sufficient funds to meet the cash requirements for the project, consideration can be given to any items that may be hypothecated or funds that will be available to the mortgagor for land at initial endorsement. If the difference is negative, when the mortgage amount plus fees not to be paid in cash are subtracted from the development cost plus the land indebtedness, for cash available to the mortgagor for land, the P2264M program will print a zero rather than the negative dollar amount. See Figure 4-3 below for an example:

Figure 5-1 Negative Cash Available

| | | |
|-----------------------------|---|--------------------|
| Development Cost | = | \$1,450,000 |
| Land Indebtedness | = | 125,000 |
| Total | = | <u>\$1,575,000</u> |
| Less Mortgage Amount | = | \$1,500,000 |
| Fees Not To Be Paid in Cash | = | 150,000 |
| Difference | = | <u>\$ 75,000</u> |

The Form FHA-2264-A Printout, Line 7, Cash Investment Required, will print \$0. The amount of \$75,000 in the example may be available to the mortgagor for land. If so, enter the dollar amount under Section 3 of the Form FHA-2264-A. To determine the amount that may be available, a comparison must be made between the amount in question and the lower of the as-is value as determined by HUD, and the actual latest arms-length purchase price.

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- g. If changes to the financial statement analysis were made, a new 2264A Final Data Entry Worksheet must be completed and forwarded to the terminal operator who will rerun Option 4 of the P2264M Program. All changes made to the financial statement analysis must be fully explained in the remarks section of the final Form FHA-2264-A.
- h. When satisfied with processing, the Loan Specialist will recommend approval or rejection, sign and date the Final Form FHA-2264-A, and forward it to the Mortgage Credit Branch Chief for review and signature.
- i. A copy of the final Form FHA-2264-A will be retained in the Mortgage Credit Case Binder.

5-2. MORTGAGE CREDIT REPROCESSING USING P2264M PROGRAM.

- a. Mortgage Credit reprocessing is principally a matter of updating the previous processing, reconciling any differences which may have occurred, or resolving any contingencies which might have existed at conditional stage.
- b. If changes are necessary for Mortgage Credit processing, the Loan Specialist will prepare a new 2264A Final Data Entry Worksheet in the same manner as described previously in Paragraph 5-1 of this Chapter.