
CHAPTER 3 - PROCESSING PROCEDURES

- 3-1. GENERAL. Architectural analysis is based on an evaluation of the physical characteristics and proposed improvements to a property to determine whether they meet HUD's requirements for mortgage insurance eligibility. Submittal of the Architectural Requirements is described in Appendix 11.

It is assumed that "proposed construction" cases, "under-construction" cases and "existing construction" cases (additions) will be completed according to the accepted exhibits, local codes and ordinances, HUD requirements and applicable commitment conditions.

"Physical Improvements" refers to the entire property, including land, building(s) and appurtenances comprised by the mortgage security. Properties are analyzed apart from their neighbors, except for known conditions on adjoining lots that may affect health and safety of the occupants.

Health and safety items include, but are not limited to: inadequate surface drainage; potential for high ground water levels; earth faults; landslides; unstable soils; or toxic wastes.

- 3-2. SUBDIVISION PROPOSALS. Process according to:
- A. Handbook 4135.1 , Procedures for Approval of Single Family Proposed Construction Applications in New Subdivisions.
 - B. Handbook 4115.3, Master Conditional Commitment Procedure.
- 3-3. BUILDER CERTIFICATION PROCEDURE.
- A. Applications for Conditional Commitment and VA-CRV (MCRV) Proposed Construction Cases - must comply with regulations in 24 CFR 200.926 and construction exhibit requirements in Chapter 2 of this handbook.
 - B. HUD Requirements in the regulation are to be used for all individual and group (Master Conditional Commitment) applications for high loan-to-value ratios. For applications on dwellings "under-construction" or "existing less than one-year," with a HUD accepted

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insured ten-year protection plan, see paragraph 6-3.

- C. HUD Field Offices will accept certification (Form HUD 92541; see Appendix 2) by (1) the builder, and (2) a builder or the builder's architect or other qualified agent, for compliance with local or State building codes that were accepted by the HUD Field Office according to 24 CFR 200.926a or National Building Code criteria.

The builder must certify on bottom portion of form on all cases. A builders agent may only certify on the top portion of the form.

This certification process is mandatory for all properties receiving high loan to-value financing or on properties not yet completed at the time, the appraisal is requested. If future field reviews or homeowner complaints reveal a pattern of non-compliances, use procedure described in paragraph 3-3.K.2)f.

The certification process will also be used for obtaining high loan-to-value ratios for dwellings covered by HUD accepted warranties (after construction has begun or the dwelling is existing-less than one-year old). Instructions are in paragraph 6-3 of this handbook.

- D. Mortgagee Responsibilities.

- 1) Obtain current list of HUD accepted building codes.
- 2) Ensure builder has attached the proper Builder's Certification (Form HUD 92541; see Appendix 2) and the Agreement to Executed a Builder's Warranty of Completion of Construction (Form HUD 92541-A) on the Front page of each set of plans prior to submitting application for conditional commitment.
 - a. It is not necessary for mortgagees to review the plans; however, lender should ensure that the required construction exhibits are present.

Ensure builder is on the list of certified builders (See paragraph 3-3.K.3)). If builder is not on list, exhibits must be reviewed by HUD Field Office.

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- b. On individual proposed VA-CRV's, certifications must be attached to each case. On VA Master-CRV'S, certifications for each model type are required; copies of the certifications are placed in each file when converted to HUD. Plans need not accompany VA-CRV's.

Where applicable, submit the Warranty of Completion of Construction (Form [HUD 92544](#)) and the Addendum to the Warranty of Completion of Construction (Form HUD 92544-A);

- 3) Call HUD assignment desk for case number and fee appraiser's name;
- 4) Send the following to the fee appraiser:
 - a. Two sets of construction exhibits (with case number on the plans and certification attached). If builder wants a copy, submit three sets; and
 - b. Form HUD 92800, Application for Property Appraisal and Commitment;
- 5) If the Master Conditional Commitment procedure is used, see Handbook 4115.3 for instructions; and
- 6) Upon receipt of the "Inspection Copy" of the construction exhibits (after issuance of the Conditional Commitment/DE Statement of Appraised Value) send it to the fee inspector.

Inspection Copy may be forwarded to builder for availability to the fee inspector at time of inspection. If 3 sets of exhibits were submitted in 4)a. above, "Builder's Copy" should be sent to builder.

E. Builder Responsibility. Assure that construction exhibits comply with:

- 1) Local, State, or model code requirements (see criteria in 24 CFR 200.926, Minimum Property Standards for One- and Two-Family Dwellings);

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- 2) HUD requirements contained in 24 CFR 200.926d; and
- 3) Chapter 2 of this handbook (Architectural Exhibits).

An original signed copy of the certification by the builder and/or the builder's agent (Form HUD 92541; see Appendix 2) is required by HUD and must be completed and attached to the cover sheet of the plans. Also complete Form HUD 92541-A, Agreement to Execute a Builder's Warranty of Completion of Construction (Form HUD 92541).

F. Fee Appraiser Responsibilities.

- 1) Assure that the construction exhibits in chapter 2 are sufficient to make an appraisal.

Do not make the appraisal if the proper builders certification is not with each set of plans. Return to mortgagee.

- 2) After completing the appraisal, forward 92800 package and two sets of construction exhibits to the HUD Field Office.

For Direct Endorsement cases, return the appraisal package, including two sets of the construction exhibits, to the mortgagee. Send a copy of the appraisal to HUD.

G. Assignment Clerk Responsibilities.

- 1) Receive call from mortgagee requesting assignment of case number and name of appraiser.
 - a. If subdivision is not approved, no case number is to be assigned.
 - * b. If subdivision is approved continue processing. *

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- 2) Enter information about the mortgagee and the property on CHUMS Receiving/Assignment Screen. CHUMS verifies that the mortgagee is eligible, assigns next available case number and a fee appraiser, unless assignment is delayed.

CHUMS assigns the appraiser with the lowest caseload who can take assignments in that geographic area. Override the system, if appropriate.

- 3) Check the assigned number off the Available Case number listing.
- 4) Prepare and file case binder in pending file.

H. Receiving Clerk Responsibilities.

- 1) Upon receipt of the appraisal package:
 - a. Review the appraisal for completeness, ensure that all plans have the correct case number and the builder's certification (original signed copy) placed on them.
 - b. Date stamp appraisal and place all documents in appropriate case binder. Enter date received on CHUMS Appraisal Receiving Logging Screen.
 1. One set of construction exhibits on left side of the case binder.
 2. Form HUD 92800 (right side of case binder).
 3. One set of construction exhibits will be stamped "Inspection Copy," placed loose in the binder. If third set is submitted, stamp it "Builder's Copy."
- 2) Forward case binder to:
 - a. The Valuation Branch if the builder is on the certified list (obtain list from A & E).
 - b. Architectural Branch if builder is not on certified list.

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- I. Review Appraiser Responsibilities. For each application requesting high loan-to-value ratio on a proposed or newly constructed property:

- 1) Check to see that Form HUD 92541, Builder's Certification (original signed copy) and Form HUD 92541-A, Agreement to Execute a Builder's Warranty of Completion of Construction (original signed copy) is attached to the plans, properly completed and that the correct building code(s) was used.
- 2) Make a cursory review to determine if required exhibits have been submitted (see chapter 2). Missing exhibits (minor) should be listed as conditional commitment requirements;

If construction exhibits are insufficient, suspend processing (use Form HUD 92026) or refer it to the Architectural Branch according to paragraph 3-3.K.2)f.

- 3) Review appraisal according to Handbook 4150.1. When completed, date and sign (include CHUMS ID number on appraisal report); and
- 4) Forward case binder to Commitment Clerk.

J. Commitment Clerk Responsibilities.

- 1) Review the case binder for any specific commitment conditions set forth by the Valuation Branch or the Architectural Branch;
- 2) Enter information on CHUMS Appraisal Disposition Screen about property, any commitment conditions, assignment of fee inspector (include address and telephone number) or, if applicable, reasons for rejection;
- 3) Print a Conditional Commitment (Form HUD 92800.5B) or prepare a Report on Application (Form HUD 92026);

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- 4) Send to the mortgagee:
 - a. Conditional commitment;
 - b. Inspection copy of construction exhibits; and
 - c. Builder's copy if third set was submitted in

paragraph 3-3.4)a.

- 5) Daily, provide Architectural Branch with case numbers and the builder's name from all commitments issued on proposed construction cases (include names of builders who requested high loan-to-value financing with a HUD accepted insured ten-year protection plan; and
- 6 Forward case binder to files.

K. Architectural Staff Responsibilities.

- 1) Obtain copies of State and local codes and compare table of contents with criteria in 24 CFR 200.926a (see Appendix 3).

Maintain a list of acceptable, partially acceptable, and unacceptable codes by locality. Give to Valuation Branch, approved mortgagees and, upon request, to builders. Provide up-to-date list to Regional Office semi-annually.

- 2) Completely review the first submission of construction exhibits, for each builder, for compliance with the HUD standards in 24 CFR 200.926d "Construction Requirements" (not the accepted local, state or national building code). See Appendix 8.

- a. Ensure all construction exhibits (see paragraph 2-2) are present and that the exhibits are sufficient to make an inspection of the property.

Fee inspectors should review plans for compliance with applicable building codes.

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- b. Review Form HUD 92541, Builder's Certification, and Form HUD 92541-A, Agreement to Execute a Builder's Warranty of Completion of Construction to assure that the applicable building code(s) and HUD construction requirements were properly listed.
- c. Amend exhibits, wherever possible, show minor

non-compliances (or omissions) with HUD standards to avoid rejection of the case. Notify builders of any non-compliances.

1. Amendments made during processing will be in color "red" with the initial "HUD" for ease in identifying the changes.
 2. When an Amendment Sheet is used, the non-compliance items are keyed to the items on the sheet.
 3. A special condition of the commitment (see paragraph 3-6.C.) can be made if amending of exhibits is not feasible. Enter on Conditional Commitment or reference on form and attach conditions to it.
 4. When contradictory or alternate items (materials, options, etc.) are included in the construction exhibits, the one customarily used in the industry is retained and the other deleted.
- d. Design recommendations for reasonable and practical improvements can be provided as rough sketches on tracing paper or on the exhibits.
1. Clearly distinguish as recommendations, and not amendments.
 2. Record comments on all exhibits.
- e. If a builder's submission is acceptable, post-review future applications from the builder (see 4) below).

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- f. If a builder's submission is unacceptable, note deficiencies on Form HUD 92026, Report on Application.
1. The Director of Housing can require that a licensed architect or engineer certify future submissions and prohibit the builder from certifying the plans, if continuing reviews, or homeowner complaints, show that builder certified erroneously on major items .

2. If problems continue, use Limited Denial of Participation (LDP) procedures in 24 CFR, Part 24, Subpart D (note 24.6(a)(6)).
- 3) Maintain a current list of builders that have acceptably certified. Distribute to the Valuation Branch, receiving clerk, to mortgagees and, upon request, to builders. Builders that have converted cases from VA-CRV's (or MCRV'S) or are requesting high loan-to-value ratios with a HUD accepted ten-year protection plan should not be placed on the list (See paragraph 3-3.D.2)b.).

List should provide the complete name under which the builder is certified and the names of the individuals authorized to sign for the builder .

Builders who are rejected on their first submission of a case should not be placed on the list upon resubmission of that case. To be placed on the list, submission should be correct initially.

Do not place a builder on the list if it is known that he/she will not build more than one house per year. Homeowners acting as the builder should not be placed on the list.

Review the builders list yearly. If a builder has not done business with HUD within a 12 month period, remove them from the list.

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- 4) Post-Commitment Reviews (Form HUD 92542; see Appendix 4) can be initiated by Chief Architect if a builder is not properly certifying. Review can only determine compliance with the construction requirements of 200.926d.
 - a. Notify mortgagee and builder in writing of any non-compliances. Send copy to fee inspector.
 - b. Place copy in builder's file. Documentation of the file is necessary if the Director of Housing requires a registered architect or engineer to certify the plans or a LDP is issued.
- 5) Post-Endorsement Reviews (Form HUD 92542; see

Appendix 4) are completed on Direct Endorsement Lenders according to instructions in HUD Handbook 4000.4. The review can only determine compliance with construction requirements in 200.926d.

- * If the review finds the builder to have acceptably certified, note on the Underwriting Report (Form HUD 54118) "Builder Certification rated Good, Form HUD 92542 not required." If builder needs comment or guidance, note on Underwriting Report, "See attached Form HUD 92542;" maintain a copy in builder's file and send a copy directly to builder. *

L. Master Conditional Commitment (MCC). This procedure may be used by all builders who want HUD insured financing available for a group of five or more lots within a subdivision. See HUD Handbook 4115.3 for additional instructions. Builders Certification (Form HUD 92541) and the Agreement to Execute a Builder's Warranty of Completion of Construction (Form HUD 92541-A) must be attached to front cover of each set of construction exhibits. Copy of certification must be included with closing documents for each case.

- 1) Builders who do not use the MCC process will submit an application for each individual case (with all exhibits).
- 2) After MCC is issued, Valuation Branch delivers construction exhibits to the Architectural Branch for review and for establishing the "basic case" file (use Form HUD 92014d) for each model type.

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- a. On a post-commitment basis, A & E reviews each "basic model" for compliance with exhibit requirements in chapter 2 and HUD standards in 24 CFR 200.926d (Also see Appendix 8). Master plot plan and subdivision grading/drainage plan are also reviewed.
 1. Notify mortgagee and builder in writing of any non-compliances.
 2. Send copy to fee inspector.
- b. Field review of inspections are required in paragraph 4-24.

- 3) Direct Endorsement Lenders may use a Master Appraisal Report procedure. Refer to HUD Handbook 4115.3 for instructions.
- M. Direct Endorsement Lender. Refer to Handbook 4000.4. Once a builder's first submission has been accepted by HUD, it will not be necessary for the lender to review plans and specifications for compliance with 24 CFR 200.926d. Obtain the current list of acceptable building codes from HUD Field Office.
- 1) Ensure that proper construction exhibits have been submitted by builder (Chapter 2). The Builder's Certification (Form HUD 92541) and the Agreement to Execute a Builder's Warranty of Completion of Construction (Form HUD 92541-A) are attached to the front page of the construction exhibits. Ensure that the wording on the certifications are correct.
 - 2) Post-Endorsement reviews will be performed by HUD.
 - 3) Submit and certify:
 - a. Date of agreement to provide HUD insured financing, and
 - b. Date on which on-site construction began.

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3-4. MANUFACTURED HOMES (MOBILE) FOR TITLE II MORTGAGE INSURANCE.

- A. General Eligibility Criteria (Refer to 24 CFR 203.43f).
- 1) The home must have a floor area of no less than 400 square Feet;
 - 2) The home must be constructed in conformance with the Federal Manufactured Home Construction and Safety Standards, as evidenced by an affixed certification label, according to 24 CFR 3280.8;

Only manufactured homes produced after June 15, 1976, will bear that seal. Manufactured homes produced prior to that date are ineligible for insured financing under Title II.
 - 3) The home must be classified and taxed as real estate;

- 4 The mortgage must cover both the manufactured unit and its site and have a term of no more than 30 years from the date amortization begins; and
- 5) The manufactured unit must not have been installed or occupied previously at any other site or location.
- 6) The finished grade elevation beneath the manufactured home or, if a basement is used, the lowest finished exterior grade adjacent to the perimeter enclosure, must be at or above the 100-year return frequency flood elevation.

This requirement applies wherever manufactured homes may be installed, not just in locations designated by the National Flood Insurance Program as areas of special flood hazard.

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B. Criteria for Proposed Construction Properties. Refer to the Architectural Requirements Grid in Appendix 11. In addition to the general eligibility criteria;

- 1) They must have, with or without a basement, a site-built permanent foundation that meets or exceeds applicable requirements of 24 CFR 200.926. Comply with Handbook 4930.3, Permanent Foundations Guide for Manufactured Housing;

For an "Existing" property, use HUD Handbook 4930.3, Appendixes A, B and C to verify the design of the existing system. See paragraph 3-4.C. for additional information.

- 2) They must be permanently attached to that foundation by anchoring devices adequate to resist all loads identified in 24 CFR 200.926d (this includes resistance to ground movements, seismic shaking, potential shearing, overturning and uplift loads caused by wind, earthquake, etc.);

Anchoring straps or cables affixed to ground anchors, other than footings (or piers), will not meet this requirement. The unit must be anchored to the footing (or pier);

- 3) They must have permanent utilities, installed and protected from freezing;
- 4) The towing hitch or running gear must be removed (Including tongues, axles, brakes, wheels, and lights). The chassis must stay in place:

A chassis that has been removed from a manufactured unit is unacceptable for Title II programs;

- 5) There must be a properly enclosed crawl space with a continuous permanent foundation-type construction (similar to a conventionally built foundation, i.e., concrete, masonry or treated wood). The perimeter

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enclosure, if separate from supporting the foundation, must:

- a. Be designed to resist all forces to which it may be subject without transmitting to the building superstructure any movements or effects caused by frost heave, soil settlement (consolidation), or the shrinking or swelling of expansive soils;
 - b. Be adequately secured to the perimeter of the unit to exclude entry of vermin and water; and
 - c. Allow proper ventilation of the crawl space.
- 6) The site, site improvements, and all other features of the property (exclusive of the manufactured living unit) not addressed by the Federal Manufactured Home Construction and Safety Standards, must meet or exceed applicable requirements of 24 CFR 200.926d (except 200.926d(c)(4)(i)); See Appendix 8;
 - 7) The manufactured unit must be braced and stiffened before it leaves the factory to eliminate racking and potential damage during transportation;
 - 8) It must be eligible for high-ratio insured financing according to 24 CFR 203.18(a)(2). Acceptance for mortgage insurance is satisfied by interpretation of the beginning of construction as the "commencement of onsite construction." The manufactured home must

not have been installed or occupied previously at any other site or location.

- 9) The manufactured unit must be insulated so that the envelope "Uo" value (calculated according to NFPA 501, BM-1976) does not exceed:
- a. 0.145 in Climatic Zone I, includes Alabama, Arizona, Arkansas, California, Florida, Georgia, Hawaii, Louisiana, Mississippi, New Mexico, North Carolina, Oklahoma, South Carolina, Tennessee and Texas;

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- b. 0.087 in Climatic zone III, includes Alaska, Maine, Michigan, Minnesota, Montana, New Hampshire, North Dakota, South Dakota, Vermont, Wisconsin and Wyoming; and

- c. 0.099 in Climatic Zone II, the remainder of states;

* Prior to the manufactured unit being delivered to the site and/or placed on the foundation, a Manufacturer's Certificate must be provided to the lender showing the following information:

- FHA Case Number and address of the property;
- The label (metal plate) number of the unit as shown on the Federal Manufactured Home Construction and Safety Standard Data Plate on the exterior of each home;
- The Climatic Zone (I, II or III) the unit was designed for, according to NFPA 501 BM-1976; and
- The overall coefficient of heat transmission ("Uo" value) calculated in accordance with NFPA 501 BM-1976.

- 10) The fee inspector must verify the Uo value on each units Data Plate.
- a. Heat loss requirements for Zone I will be fulfilled in any manufactured home bearing a Data Plate indicating compliance with MHCSS Zone

II (Data Plate labeling for Zone III is acceptable for Zone II). Where this is the case, heat loss calculations for the unit need not be submitted.

- b. Whenever Uo value calculations are certified by a manufacturer's Design Approval Primary Inspection Agency (DAPIA) as being equal to or more stringent than this criteria, it may be assumed that the manufactured home complies with these heat loss requirements.

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- 11) If the field office has a question as to the acceptability of the unit's construction, the unit should be determined unacceptable pending a review by the applicable State Administrative Agency or HUD Headquarters Staff (Manufactured Housing Division).
- 12) There must be a Builders Certification, Form HUD 92541 (Appendix 2) for all site work, including the permanent foundation (see paragraph 3-3).
 - a. Do not review the construction exhibits for the dwelling superstructure for compliance with the Federal Manufactured Home Construction and Safety Standards.

Construction exhibits for the unit consist of a description of materials and a floor plan. Use for appraisal purposes only.

- b. Exhibits to submit for review:
 - 1. Builders certification for manufactured housing (Form HUD 92541; see Appendix 2);
 - 2. Agreement to Execute a Builder's Warranty of Completion of Construction (Form HUD 92541-A see Appendix 5);
 - 3. Floor plan of the unit (this may be a brochure type floor plan that shows the layout of the home, with no scale;
 - 4. Description of Materials;

Describe the type of materials used to build the unit. It does not have to be elaborate

and can merely state the type of siding, roofing, carpeting, etc. For site and foundation work, use Form HUD 92005.

5. Design calculations, details and drawings for installation, anchorage and construction

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details of permanent foundation and perimeter enclosure;

6. Heat loss calculations from manufacturer to show compliance with paragraph 3-4.B.9) and 10). Submit insulation details when calculations are required;
7. Site elevation determinations related to potential flooding must be based upon information shown on National Flood Insurance Rate Maps, where available;

In all other cases, use Regional Civil Engineering staff for determinations.
8. Plot plan (see paragraph 2-2.A.);
9. Additional exhibits, where necessary, to ensure site acceptability (see paragraph 2-2.F.); and
10. Individual water supply and sewage disposal systems (see paragraph 2-5).

- c. The intermediate (framing) inspection customary for site-built housing will not be required.

- C. Criteria for Existing Properties. Refer to Appendix 11, Architectural Requirements Grid. Refer to HUD Handbook 4150.1 for appraisal criteria.

The foundation design information in HUD Handbook 4930.3, Permanent Foundations Guide for Manufactured Housing, Appendices A, B and C, may be used to verify the design of the existing system. Provide a structural engineers certification to verify compliance with the handbook guidelines and with the requirements set forth in paragraph 3-4.B.

Existing manufactured homes must not have been installed or occupied on any other site and must comply with items B-1) through item B.6) and item B.9) as listed for

proposed construction. Mortgage insurance is not allowed if the manufactured home was moved from another

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site. Also comply with the general eligibility criteria in paragraph 3-4.A.

Manufactured units which have been erected on a site for one year or less prior to the date of application for mortgage insurance and which were not approved by HUD or a DE Lender prior to their construction on site, are subject to a loan-to-value limitation of 90 percent (for a principle resident) of the appraised value of the property (See 24 CFR 203.18(a)(3)).

Exception to the above limitation is allowed only where the unit is covered by a HUD accepted insured ten-year protection plan (List is in Appendix 10) described in chapter 6 and the manufactured home has never been occupied. The application for insured financing must be accompanied by the name of the Plan and a Builder's Certification (See paragraph 3-3.) that the plans and specifications for the property comply with all standards and requirements specified herein. Comply with HUD Handbook 4930.3 for a "proposed construction" property.

The Conditional Commitment/DE Statement of Appraised Value, Form HUD 92800.5B, will be issued with a condition requiring evidence to be submitted that the property is covered by an acceptable Plan at the time of the request for insurance endorsement. In this instance, the property could qualify for high loan-to-value financing. Borrower must be notified by lender that Section 518(a) financial assistance is not allowed.

3-5. PERMISSION TO START CONSTRUCTION (EARLY START). This procedure is appropriate to assist builders with starting construction prior to the completion of the appraisal. Use of the "Early Start" will allow relief when backlogs occur during high volume situations. See Appendix 6 for a suggested format.

After issuance of the building permit by the local authority the mortgagee may request permission for the builder to start construction before the issuance of a Conditional

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Commitment/DE Statement of Appraised Value, Form HUD 92800.5B. An "Early Start Letter" issued by HUD or a Direct Endorsement lender is deemed as an approval for mortgage insurance before the beginning of construction (placement of permanent construction on the site).

The builder must be on the approved certification list (see paragraph 3-3.K.3)). If project is borderline in character, requiring complete processing to determine acceptability and feasibility, the "early start" procedure cannot be used.

- A. Term of the Commitment - Normal term for proposed construction cases, beginning with the date of the "Early Start Letter".
- B. Mortgagee responsibilities.
 - 1) Comply with requirements listed in paragraph 3-3.D;
 - 2) Submit request to HUD field office;
 - 3) Submit a Builders Certification, Form HUD 92541, and the Agreement to Execute a Builder's Warranty of Completion of Construction, Form HUD 92541-A. See paragraph 3-3.E. for instructions); and
 - 4) Submit two copies of the plot plan.
- C. Architectural Branch Responsibilities.

Review the builders certification to determine compliance with paragraph 3-3.A. through C. Consult with Valuation staff for any circumstances that would prevent issuance of commitments.

- 1) If acceptable, prepare a letter to the mortgagee and/or builder similar to suggested format in Appendix 6. Place copy of letter in case binder.
- 2) If unacceptable, notify the mortgagee. Use Form HUD 92026, Report on Application.

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D. Builder Responsibilities.

- 1) Construction exhibits must be available at site, identical to those provided to the mortgagee;
- 2) Call fee inspector to request initial inspection (see paragraph 4-3); and
- 3) Construct dwelling according to certified exhibits.

3-6. CONDITIONS OF COMMITMENT. The Conditional Commitment/DE Statement of Appraised Value (Form HUD 92800.5B) contains General Commitment Conditions and provisions for Specific and Special Commitment Conditions.

- A. General Commitment Conditions apply to all cases for compliance with HUD requirements and do not require additional attention.
- B. Specific Commitment Conditions must be indicated by checking the boxes applicable to the specific case.
- C. Special Conditions are extensions of the Specific Conditions. Provide to Direct Endorsement lenders for their use.

The Architectural Special Condition Sheet (AC Sheet) is attached to Conditional Commitment/DE Statement of Appraised Value, Form HUD 92800-5B (see paragraph 3-7).

- 1). Developed by the Chief Architect, listing typical special conditions for proposed construction cases. List only those items that require compliance with 24 CFR 200.926d (See Appendix 8).

Provide a space for the FHA case number, the name of the builder and the property address. Allow enough space for use when adding requirements that are not preprinted on the sheet. Review annually and revise as necessary.

Number in sequence (i.e., AC-1, AC-2, etc.). Do not repeat general or specific commitment conditions printed on the Conditional Commitment.

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- 2) Disposition of AC Sheet. Complete in triplicate. Valuation Branch or DE Underwriter must include as a Special Commitment Condition.
 - a. Send the original to the mortgagee attached to the Conditional Commitment/DE Statement of Appraised Value, Form HUD 92800.5B;
 - b. Retain one copy for the office case binder, attach to Form HUD 92800.5B; and
 - c. Place one copy in the "Inspection Copy" of the construction exhibits.

3-7. FEE ALLOCATIONS FOR ARCHITECTURAL REVIEWS are authorized in field offices with severe staffing shortages in the Architectural area. Fee personnel must be knowledgeable in the HUD Minimum Property Standard (24 CFR 200.926d) and the exhibit requirements in chapter 2 of this handbook.

Fee processors must be in the locality of the field office in order to ensure the timeliness of the review. The cost will not exceed fifteen dollars (\$15.00) per case (Use Form HUD 3650). Variance from this fee must be obtained from Headquarters, with adequate justification.

The review must only encompass the HUD requirements of chapter 2 and 24 CFR 200.926d (See Appendix 8). If a case is rejected, the fee processor must fill out Form HUD 92026, properly noting all non-compliances. The field office is responsible to spot check fee processors, work and review all reconsiderations. Fee processors, must be encouraged to avoid rejecting a case when possible.

If the review is at the Post-Commitment/Post Endorsement stage, complete Form HUD 92542 according to instructions in paragraph 3-3.K.5).

Fees for Field Reviews are established by the field office; however, the fee should be less than that of a final inspection, because there are no photographs involved. Fee should also be based on interior and/or exterior inspection.

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3-8. DESK REVIEW OF STAFF AND FEE PERSONNEL.

The Chief Architect, Supervisor (or designee) must verify the conclusions reported by fee or staff personnel.

A. Items to be Reviewed:

- 1) Basic cases in MCC (group) submissions (also review yearly to check for compliance with changed requirements);
- 2) Cases in new areas that may establish precedents;
- 3) Cases involving complex or unusual design features;
- 4) Cases involving special programs in which the field office has limited experience;
- 5) Cases reviewed by staff personnel who are relatively inexperienced in applying HUD procedures and techniques;
- 6) Cross section of cases for selective or spot check review; and
- 7) Inspection reports, including site grading and drainage.

B. Performance Review. The work of each staff and fee reviewer (10% minimum) and all inspection reports of fee personnel will be office reviewed to assure accuracy, consistency, good judgment and integrity.

Refer to Handbook 4020.1 for fee personnel requirements for maintaining a good standing on assignments.

C. Amendment Procedure. The reviewer can amend or correct any report prepared by staff or fee personnel. All modifications are noted, dated and initialed in red.

- 1) Upon completion, the reviewer signs the case or report to indicate any action and certifies that the conclusions (as submitted or modified) are justified.
- 2) If the findings on the report are unacceptable, the reviewer can prepare a new report.

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3-9. RECONSIDERATION PROCEDURE. Refer to:

- A. Handbook 4160.1, Reconsideration Before Endorsement.
- B. Handbook 4170.1, Reconsideration After Endorsement.

3-10. COMPLAINT PROCESSING PROCEDURES (Refer to Handbook 4070.1 and 4000.4).

If the homeowner has a HUD accepted insured ten-year protection plan, the HUD Field Office cannot get involved in the complaint until all remedies are sought through the warranty plan, including arbitration. However, if a major structural defect is involved, the Field Office can make a site inspection and provide an opinion letter as to whether a structural defect is present (or imminent). This documentation will be given to the homeowner to assist the arbitrator in making a decision based on the merits of the claim in lieu of obtaining information only from the Plan.

3-11. PROPERTIES TO BE REHABILITATED (203k program). Follow instructions in Handbook 4240.4 REV-1, dated September 1989.

3-12. SPECIAL MATERIALS, PRODUCTS AND METHODS OF CONSTRUCTION.

When a proposed construction case involves a non-standard material or product, refer to the applicable release or bulletin (e.g., Materials Release, Use of Materials Bulletin, Engineering Bulletin, Truss Connector Bulletin, or a Mechanical Engineering Bulletin).

When a Structural Engineering Bulletin (SEB), Regional Letter of Acceptance (RLA), or State Agency Regulation is required, note as a Special Condition on Form HUD 92800-5B.

The field office will give the participant Handbook 4950.1, Technical Suitability of Products Program, that describes the review procedure when no Materials Release or Bulletin has been issued.

3-13. PARTIALLY COMPLETED AND EXISTING CONSTRUCTION.

The Valuation Branch is responsible for reviews and analyzes existing properties (see Handbook 4905.1). When requested, Architectural staff will report on findings of any field or office reviews concerning the acceptability under life and safety requirements of HUD standards and applicable codes.

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3-14. CONDOMINIUM PROCESSING. See Handbooks 4150.1 and 4265.1.

3-15. REVIEW OF HUD ACQUIRED PROPERTIES is the responsibility of the Property Disposition Branch. When requested, the Architectural staff will work with the Valuation staff to determine the best way to restore the properties to a good condition and will estimate the cost of repairs.

When extensive rehabilitation is proposed, it may be necessary for the Architectural Branch to prepare drawings and specifications to permit competitive bidding on the

work. Compliance inspections would also be provided.

- 3-16. PROCESSING WATER AND SEWERAGE SYSTEMS. This is done by the Architectural Branch. Advice should be requested from HUD Environmental Engineer, Local Health Authorities, and when necessary, HUD Central Office. The following handbooks establish criteria for the proposed systems:
- A. Central Water and Sewerage Systems, Handbook 4075.12.
 - B. Minimum Design Standards for Community Water Supply Systems, Handbook 4940.2.
 - C. Minimum Design Standards for Community Sewerage Systems, Handbook 4940.3.
- 3-17. RECORDS DISPOSITION. Comply with instructions in Handbook 2225.6, Appendix 20. Construction exhibits must be available for copying by any purchaser, homeowner or warrantor as directed in Section 801 (Builders Warranty) of the National Housing Act.
- 3-18. BUILDER'S WARRANTY. When the builder completes the Builder Certification, Form HUD 92541, the builder must also sign Form HUD 92541-A, Agreement to Execute a Builder's Warranty of Completion of Construction (See Appendix 5).

On all properties that receive high loan-to-value financing, the builder must complete (prior to closing the loan), Form HUD 92544, Warranty of Completion of Construction and Form HUD 92544-A, Addendum to Warranty of Completion of

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Construction (See Appendix 7). These forms ensure that the builder provides a one-year warranty on the property.

The Department provides a four-year structural defect warranty on all "proposed construction" properties. HUD Handbook 4070.1, Chapter 2, explains the warranty; it was established under Section 518(a) of the National Housing Act. If the builder is determined to be at fault for the structural defect, the Department will allow the builder to make repairs. If the builder refuses to make repairs, administrative sanctions will be imposed prior to the Department providing financial assistance to the homeowner.

- 3-19. AFFIRMATIVE FAIR HOUSING MARKETING PLAN. See HUD Handbook 4000.2 and Handbook 8025.1.

