U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

TRANSMITTAL 4240.3

6/21/79

1. This Transmits
A new HUD Handbook 4240.3, Application Through Insurance (Single Family) Section 203(n), dated 6/79.

2. Explanation of Materials

a. The 203(n) Handbook explains the processing and underwriting procedures to be used by HUD Field Staff and program participants under the 203(n) program.

b. The 203(n) program provides mortgage insurance financing for individuals or families acquiring a Corporate Certificate which entitles the owner to occupy a unit in a cooperative housing project covered by a blanket mortgage insured by the National Housing Act.

c. These instructions detail the application procedures and legal documents which must be used by lenders and other participants in the program. In addition, the instructions outline the appraisal mortgage credit and the architectural procedures to be followed by the Field Staff.

3. Implementation
Immediately.

Assistant Secretary for Housing
-Federal Housing Commissioner

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U.S. DEPARTMENT OF HOUSING
AND URBAN DEVELOPMENT

4240.3

# 203(n) HANDBOOK

# APPLICATION THROUGH INSURANCE

# (SINGLE FAMILY)

JUNE 1979

PROGRAM PARTICIPANTS AND HUD STAFF

A HUD HANDBOOK

HOUSING PRODUCTION AND MORTGAGE CREDIT-FEDERAL HOUSING ADMINISTRATION

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, D. C. 20410

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## FOREWORD

This Handbook sets forth a program description and basic processing instructions for HUD's Section 203(n) Program. General processing instructions for the Department's basic home mortgage insurance program, Section 203(b) are to be followed except as modified by this Handbook.

Because of the unique nature of this insured financing program and the cooperative housing system, there may be questions that arise which have not been foreseen and appropriately addressed in this Handbook. Should this occur, program participants and HUD Field Office staff should direct such questions to the Director, Office of Single Family Housing, Attention: Director, Single Family Development Division, with HUD Headquarters in Washington.

References:

(1) 4550.1 - Basic Cooperative Housing Insurance Handbook

(2) 4550.3 Revised - Converting an Existing Project to a Cooperative

(3) 4165.1 - Endorsement for Insurance for Home Mortgage Programs

(4) 4465.1 - Valuation Analysis for Project Mortgage Insurance

(5) 4155.1 - Mortgage Credit Analysis for Mortgage Insurance on One to Four Family Properties

# CHAPTER 1. GENERAL

1-1. INTRODUCTION. For a summary explanation of cooperatives, see reference (1) of the Foreword. Section 4(b) of The Emergency Home Purchase Assistance Act of 1974 added a new subsection (n) to Section 203 of the National Housing Act. Under this program, Section 203(n) mortgages are insured to assist individuals or families in acquiring stock certificates or membership certificates, hereafter referred to as Corporate Certificates, in cooperative housing projects which are covered by blanket mortgages insured under the National Housing Act. An individual or family which is already a stockholder or member of a cooperative housing project cannot obtain a mortgage encumbering his/her Corporate Certificate under this program. Likewise, the program is limited to owner-occupants. Non-occupant owners are not eligible.

a. The 203(n) program is available to assist a purchaser in acquiring a Corporate Certificate, thereby assuming the responsibility for the monthly charges due the cooperative which are attributable to the dwelling unit the owner of the Corporate Certificate is entitled to occupy, and financing a portion of the seller's equity with an insured mortgage.

b. The seller's equity is the difference between the outstanding principal balance on the project mortgage attributable to the dwelling unit the owner of the Corporate Certificate is entitled to occupy and the fair market value of the dwelling unit, assuming it was being sold on the open market.

c. As in the other single-family mortgage insurance programs, the equity financing loan will be funded by a HUD approved mortgagee and the mortgage will be insured by the Department.

1-2. DEFINITIONS FOR USE IN THE 203(n) PROGRAM

a. "Mortgage" shall mean a first lien given to secure a loan made to finance the purchase of a Corporate Certificate together with the applicable Occupancy





Certificate of a cooperative ownership housing corporation in which the permanent occupancy of the dwelling units is restricted to members of such corporation.

b. "Corporation" shall mean an organization which holds title to a cooperative housing development for the member/owners which is covered by a blanket mortgage or mortgages insured under the National Housing Act, as amended.

c. "Corporate Certificate" shall mean such stock certificates, membership certificates, or other instruments which the laws of the jurisdiction in which the cooperative housing development is located require to evidence ownership of a specified interest in the corporation,

d. "Occupancy Certificate" shall mean a written instrument provided by the corporation to each member/ owner holder of a Corporate Certificate which grants an exclusive right of possession of a specific dwelling unit in the cooperative housing development.

e. References to "Property." The term "property" in this Handbook, the regulations for Section 203(n) and other material dealing with the program shall be construed to mean the Corporate Certificate together with the rights conveyed by the Occupancy Certificate. Where such references when interpreted under Section 203(n) of the National Housing Act clearly indicate the intent to be the dwelling unit, such references shall mean the dwelling unit identified in the Occupancy Certificate.

1-3. REGULATIONS - Regulations governing the program are located in Chapter II of Title 24 of the Code of Federal Regulations under Section 203.43c and Section 203.437.

1-4. MAXIMUM MORTGAGE AMOUNT - The mortgage shall not exceed the amount calculated per instructions for Section 203(b) relating to owner-occupants minus the portion of the unpaid balance of the blanket mortgage which is attributable to the dwelling unit.



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(1-4) a. The following example is for clarification purposes:

| | |
|---|---|
| HUD estimated value of dwelling unit | $38,000 |
| HUD estimated closing costs | 500 |
| Unpaid balance on project mortgage attributable to dwelling unit (as of the date of acceptance) | 23,865 |

The maximum insurable mortgage amount would be $13,200, calculated as follows:

| | |
|---|---|
| HUD estimated value for mortgage insurance purposes (sum of value and estimated closing costs) | $38,500 |
| 97% of $25,000 | $24,250 |
| 95% over $25,000 | 12,825 |
| Maximum insurable under Section 203(b) | $37,075 |
| | $37,075 |
| | -23,865 |
| Maximum insurable under Section 203(n) | $13,210 |

$13,210 rounded to the next lower multiple of $50 is $13,200. This is the method to be utilized in determining the maximum mortgage amount to be placed on the conditional commitment (see Chapter 2).

b. The contract of sale can be drawn in such a manner that the outstanding balance on the project mortgage attributable to the Corporate Certificate may or may not be reflected in the sales price of the Corporate Certificate. For example, if HUD's estimated value of the dwelling unit is $30,000 and the portion of the outstanding balance of the project mortgage attributable to the Corporate Certificate is $20,000, the sales price of the Corporate Certificate set forth in the sales contract may be $30,000, not the value of the Corporate Certificate, $10,000. In such situations, the normal contingency clause relating to the financing should contain language to the effect that the portion of the outstanding balance on the project mortgage attributable to the Corporate Certificate,





$20,000 in this example, which is reflected in the sales price will not be paid in cash but that payment of this obligation will be assumed by the mortgagor at closing.

c. Another situation which can occur is where the sales price is set forth as the value of this Corporate Certificate, $10,000 in this example, and language is included that the purchaser is aware and acknowledges that a portion of the outstanding balance on the project mortgage is attributable to the dwelling unit which the purchaser will be entitled to occupy as the owner of the Corporate Certificate.

d. The maximum mortgage amount which will be available to the purchaser will be based on the mortgagor's Total Acquisition Cost, of the Corporate Certificate or the HUD estimate of the value of the dwelling unit plus the estimate of closing cost, whichever amount is lower, less the unpaid balance of the blanket mortgage covering the cooperative development which is attributable to the dwelling unit. See Chapter 3 of this Handbook for mortgage credit instructions on determining the maximum mortgage amount for the firm commitment.

1-5. MAXIMUM TERM AND AMORTIZATION PERIOD OF 203(n) LOANS - The maximum term is 30 years, the remaining term of the blanket mortgage covering the cooperative development or three-quarters of the remaining economic life of the building improvements encumbered by the blanket mortgage, whichever is the least. The Amortization period must be either 5, 10, 15, 20, 25 or 30 years.

1-6. SECTION OF THE ACT CODE - The section of the Act code for 203(n) mortgages is 260. For mortgages insured pursuant to Section 223(e) authority, the code is 360.

1-7. INTEREST RATE: Same as for Section 203(b).

1-8. SECURITY FOR THE LOAN - Mortgages insured under this program are given to finance the purchase of a Corporate Certificate and Occupancy Certificate in a cooperative housing project, the permanent occupancy of which is restricted to members of such



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cooperative. The security for the loan is the Corporate Certificate and the Occupancy Certificate entitling the owner to the permanent occupancy of one of the dwelling units owned by the cooperative. The mortgagee must establish a first lien on the mortgagor's Corporate Certificate and Occupancy Certificate under the laws of the state where the cooperative housing development is located. (See paragraph 1-12.)

1-9. SECONDARY LIEN - The only other lien permitted on property, i.e., the Corporate Certificate and Occupancy Certificate, is the Cooperative's lien, which is a lien for cooperative fees, and it must be subordinated to the lien established by the 203(n) insured mortgage. Accordingly, the organizational documents of the cooperative corporation must provide that a mortgage insured under Section 203(n) shall be a first lien upon the property covered by the mortgage.

1-10. TRI-PARTY AGREEMENT - The regulations require a Tri-Party Agreement between the corporate owner of the cooperative housing development, the 203(n) mortgagee, and the Secretary. The Agreement is intended to be a part of each origination of a mortgage covering an individual dwelling unit under Section 203(n). The Agreement obligates the signers to provide notices, acknowledge interests in, and perform functions regarding the dwelling unit and ownership documentation. This Agreement is necessary to carry out the regulatory requirements of the 203(n) program. The Agreement, which must be identical to the one set forth in Appendix 1, is an agreement which must accompany the submission for insurance endorsement. It must be reviewed by the Director of Housing or his/her designee, and if found acceptable, signed by the Director. The original should be inserted in the insured case binder with two copies to be sent to the 203(n) mortgagee with the executed Mortgage Insurance Certificate, Form FHA-9100.

a. A sample Tri-Party Agreement is set forth in Appendix 1 of this Handbook. No modifications, additions, or deletions to the Agreement are permitted. The submission of an executed Tri-Party Agreement identical to the one set forth in Appendix 1 must be a condition





for insurance set forth in each conditional commitment issued under Section 203(n).

b. Cooperatives, mortgagees, and Field Office personnel shall review the terms and conditions set forth in the Tri-Party Agreement and familiarize themselves with the obligations that will be incurred upon execution of the Agreement.

1-11. APPLICATION FORMS AND REQUIRED DOCUMENTATION Applications for appraisal of the dwelling unit attributable to the Corporate Certificate and issuance of a conditional commitment to insure a mortgage encumbering the Corporate Certificate and Occupancy Certificate are submitted on Form FHA-2800, Application for Property Appraisal and Commitment. These applications must be transmitted by a covering letter containing the language set forth in the draft letter in Appendix 2. Lenders should note the agreement they are committing themselves to when signing the covering letter.

a. True copies of the following documentation are required to accompany the application form:

(1) Certificate of Incorporation.

(2) Regulatory Agreement and amendments.

(3) Bylaws as amended.

(4) Current Financial Statement.

(5) Proposed Occupancy Certificate.

(6) Proposed Corporate Certificate.

(7) A letter signed by the mortgagee identical to the format letter set forth in Appendix 2.

(8) A Form FHA-2800 application.

b. Any of items (1) through (6) above may be waived by the local office as necessary documentation to be submitted with the Form



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FHA-2800 application. Such a waiver is appropriate only in those instances where the office has previously processed an application for 203(n) insured financing involving the same cooperative and determined that the organizational documents were acceptable. See paragraph 1-13 of the Handbook for the detailed procedure of receiving and approving the documents.

c. Conditional Commitment. - The initial application for appraisal under the Section 203(n) program is submitted on Form FHA-2800.

(1) Upon receipt of the Form FHA-2800 application and a review for completeness of the application and exhibits, the receiving clerk will establish a file.

(2) Once a case number has been assigned, the Form FHA-2800-2 will be removed by the receiving clerk from the Form FHA

2800 package and returned to the mortgagee to acknowledge acceptance of the application.

(3) The appraiser will complete the Form FHA-2800 as in all other applications. However, it may be necessary to document the findings and decisions reached by means of a memorandum attached to the FHA 2800 report. When the appraiser completes the report, the appraiser's estimated value of the unit shall be set forth under the heading "Estimated Value of Property" on the Form FHA-2800-5. The monthly expense estimates will be included on the Form FHA-2800-5, block 7, with appropriate handwritten pen changes being made to the titles of the lines or blocks and specific commitment conditions should be checked or filled out, where appropriate, and an addendum sheet attached, when necessary. A copy of the Addendum to the Statement of Appraised Value, Appendix 4, and HUD Fact Sheet 321-F-(5) must accompany the conditional commitment when issued.



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(4) The mortgagee is responsible for providing the Statement of Appraised Value, as well as the Addendum and the HUD Fact Sheet, to the borrower prior to the Form FHA 2900-1, Mortgagee's and Mortgagor's Application for Mortgagor Approval and Commitment for Insurance under the National Housing Act, being signed by the borrower.

(5) A copy of any memorandum used to document the report must be made and accompany Forms FHA 2900-3, Firm Commitment Application, and 2800-4, Conditional Commitment Application, being sent to the Management Information Systems Division after insurance endorsement.

d. Firm Commitment. - Applications for approval of the mortgagor and issuance of a firm commitment are submitted on Form FHA 2900. The firm commitment is issued on Form FHA 2900-4.

1-12. MORTGAGE FORM - No specific mortgage form is required to be used under the program. However, the following instructions are applicable.

a. The mortgage submitted for insurance must:

(1) Involve a principal obligation in multiples of $50.

(2) Have the payments come due on the first of each month.

(3) Have an amortization period of either 5, 10, 15, 20, 25, or 30 years by providing for either 60, 120, 180, 240, 300 or 360 monthly payments but not to exceed the remaining term on the project mortgage.

(4) Provide for payments to principal and interest to begin not later than the first day of the month following 60 days from the date the mortgagee's certificate on the commitment was executed.





(1-12) (5) Contain a provision permitting the mortgagor to prepay the mortgage in whole or in part upon any interest payment date after giving to the mortgagee 30 days advance notice in writing of intention to prepay, but shall not provide for the payment of any charge on account of such prepayment.

(6) Contain mortgage terms that do not exceed those set forth in the firm commitment.

(7) Be executed by the same person(s) as named in the firm commitment.

(8) Set forth that if the loan is held by the Federal Housing Commissioner, the mortgagor will pay to HUD a monthly charge (in lieu of the mortgage insurance premium) which shall be in an amount equal to one-twelfth (1/12) of one-half (1/2) per centum of the average outstanding balance due on the mortgage loan without taking into account delinquencies or prepayments.

(9) Set forth that the aggregate of the amounts required to be paid under the mortgage shall be paid in a single payment each month to be applied by the lender first in payment of HUD's mortgage insurance premium, then to interest payable on the mortgage, then

to the principal on the note, and then to late charges, if any.

(10) Contain a "Resolution of Inconsistency" which states: "If this mortgage and note be insured under Section 203(n) of the National Housing Act, such Section and Regulations issued thereunder and in effect on the date hereof shall govern the rights, duties and liabilities of the parties hereto, and any provision of this or other instruments executed in connection with this mortgage and note which are inconsistent with said Section of the National Housing Act or Regulations are hereby amended to conform thereto."



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(1-12) b. The mortgage may provide for:

(1) A late charge not to exceed four (4) cents for each dollar of each payment more than fifteen (15) days in arrears, to cover the extra expense involved in handling delinquent payments.

(2) Equal monthly payments by the mortgagor to the mortgagee which will amortize the fire and other hazard insurance premiums, if any are required by the mortgagee, within a period ending one month prior to the date on which the same becomes delinquent.

(3) Authority for the lender to collect from the borrower each month, until the note is paid in full, one-twelfth (1/12) of the annual mortgage insurance premium (MIP) charged by the Department for providing mortgage insurance on the mortgage loan. The mortgagee is responsible for the payment of the MIP. HUD regulations permit the mortgagee to collect the funds necessary for the payment from the mortgagor. Accordingly, if the mortgagee is going to collect the funds from the mortgagor, authority to do so must be included in the mortgage.

(4) Contain a provision which states that failure of the mortgagor to pay the mortgagor's share of the common expenses or assessments and charges imposed by the

corporation as provided for in the instruments establishing the cooperative shall constitute a default under the provisions of 203(n) of the Housing Act.

c. As was previously mentioned, no specific mortgage form is required to be used under the program. Before a mortgage form can be used, however, it must be found acceptable for use under the Section 203(n) program by the local HUD Field Office. In this regard, a mortgagee anticipating funding 203(n) mortgages should have its legal counsel prepare a draft 203(n)



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(1-12) mortgage form reflecting these instructions, applicable HUD regulations and State and local statutes dealing with cooperatives.

(1) Thereafter, when the mortgagee submits its initial application for insured financing under Section 203(n), the mortgagee will include a copy of the proposed mortgage form. The covering letter required to transmit the application should be expanded to mention that an initial application is involved and the proposed mortgage form is included with the application package.

(2) Upon receipt of the application and the proposed mortgage form, the proposed form will be forwarded to the Area Counsel. Instructions contained in paragraph 1-13 relating to the approval of the organizational documents are also applicable to approval of the mortgage form. The sample format letter in Appendix 3 should be adjusted to reflect that a mortgage form is involved instead of the organizational documents. Use of one letter to approve both the organizational documents and the mortgage form is permitted if the local Field Office finds this more convenient.

(3) In addition to the above, a copy of the letter approving the mortgage form, together with a copy of the mortgage form itself, shall be provided the Assistant General Counsel for Home Mortgage Insurance in Headquarters. This will permit a post-review of the mortgage form and enable Headquarters personnel to be familiar with various State and local requirements as

they relate to cooperatives.

(4) Since the mortgagee will be closing subsequent loans on the approved mortgage form, Field Office approval of the form, when each application is submitted, is not necessary. However, the mortgagee must submit documentation with each closing submission evidencing HUD's approval, and a requirement of this nature should be included on each





conditional commitment which is issues under Section 203(n). The requirement should read as follows:

"A copy of the letter issued by the Director of this office approving the format of the security instrument upon which the loan will be closed must be submitted with the submission for insurance endorsement. In addition, the following certification must accompany the copy of the letter. "The provisions contained in the security instrument are identical to those approved by HUD under letter dated __________________
(copy attached) __________
Mortgagee."

(5) If the proposed mortgage form is not acceptable, the conditional commitment may still be issued but a condition should be placed on the commitment requiring HUD approval of the mortgage form before insurance endorsement will take place.

1-13. ORGANIZATIONAL DOCUMENTS

a. HUD regulations require that the organizational documents of the cooperative corporation provide for the following:

(1) Either the Secretary or a mortgagee under a mortgage insured under this section shall be a member of the cooperative corporation for so long as either owns a Corporate Certificate;

(2) A mortgage insured under this section shall be a first lien upon the property covered by the mortgage;

(3) The Secretary may exercise the voting rights which are attributable to each Corporate Certificate owned by the Secretary;

(4) The Secretary may designate an agent as proxy for the purpose of exercising the voting rights of the Secretary which are attributable to the Corporate Certificate or Certificates owned by the Secretary;



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(1-13) (5) The Secretary may cease making monthly payments attributable to any dwelling unit for which the Secretary owns a Corporate Certificate six months after the Secretary notifies the corporation to sell the Corporate Certificate or upon default by the corporation on the blanket mortgage covering the dwelling unit;

(6) The Secretary or a mortgagee shall not be obligated to make payments to the corporation for any amounts unpaid by a mortgagor under a mortgage insured under this section prior to the date the Secretary or the mortgagee becomes the owner of the Corporate Certificate.

b. Upon receipt in the Field Office of a Form FHA 2800, the organizational documents which accompany the application will be forwarded to the Area Counsel in order that they can be reviewed to determine if they are in accordance with the suggested organizational documents set forth in Reference 2 of the Foreword.

(1) If they do correspond, a letter of approval signed by the Area Office Manager/Service Office Supervisor indicating their acceptability should accompany the conditional commitment when it is issued (see Appendix 3 for sample format letter).

(2) If there are significant differences, copies of the organizational documents must be immediately forwarded to the Office of the Assistant General Counsel for Home Mortgage Insurance with a request for a review and comments.

(3) The Field Office will be notified of the documents' acceptability by the Assistant

General Counsel.

(4) If minor differences are evident, the Area Counsel may discuss such differences informally with the Office of the Assistant General Counsel and render an opinion based upon such a discussion.





(5) Processing of the application should continue while the Area Counsel's review is taking place.

(6) If the documents are unsatisfactory, a conditional commitment should not be issued, and an explanation of the reason(s) they are unsatisfactory should accompany the report on application Form FHA 2026, in order that the mortgagee can notify the cooperative accordingly. Such reasons will be provided by the Area Counsel or in the event the documents were forwarded to the Office of General Counsel for review, that office will notify the field of any reasons of unacceptability.

(7) Files should be established containing the copies of the organizational documents and letters of approval. For subsequent conditional commitment applications submitted by a mortgagee involving a cooperative whose documents have been approved, the Field Office may waive the requirement that copies of the organizational documents be submitted. If a waiver is granted, the application must be accompanied by a copy of the approval letter and a certification from the cooperative that no changes have been made in the organizational document since issuance of the approval letter. A provision setting forth the waiver is included in the sample format letter in Appendix 3. The certification language is also set forth in the format letter.

1-14. REVIEW FOR INSURANCE ENDORSEMENT - The closing clerk will handle the submission for insurance endorsement as outlined in reference (3) of the Foreword, except that a HUD mortgage form is not required to be used. Any mortgage form which has been approved by the Area Manager or Service Office Supervisor is acceptable. A copy of the letter of approval must accompany the closing submission together with an executed certification as required in paragraph 1-12c(4). The closing clerk will review the mortgage and note to determine that they are in compliance with the terms of the commitment.

# CHAPTER 2. VALUATION PROCESSING

2-1. PURPOSE - This chapter describes the valuation processing required to underwrite a Section 203(n) loan for a Corporate Certificate involving a single living unit in a cooperative multifamily project covered by a project mortgage insured under Section 213, 221(d)(3) or any other nonsubsidized section of the National Housing Act.

2-2. INTRODUCTION - Section 203(n) of the National Housing Act authorizes HUD to insure a loan secured by the cooperative membership certificate and by the occupancy agreement when the loan is made to assist in the purchase of a membership in order to occupy one dwelling unit in a cooperative project. The Section 203(n) loan is in addition to the portion of the project mortgage which must be attributed to the unit being appraised. The sum of these two debts upon the subject unit may not exceed the amount permitted by the value of the unit at loan ratios (and other rules) applicable to Section 203(b) home mortgages. In practice, the market value of the living unit is estimated; Section 203(n) closing costs are estimated, the maximum debt is computed upon the total of the two as if this were a Section 203(b) home mortgage; the portion of the project mortgage attributed to the subject unit is subtracted; and the remainder is the maximum Section 203(n) loan for conditional commitment.

2-3. APPLICATION - The mortgagee applies for a conditional commitment on a single unit by submitting Form FHA 2800 Application for Mortgage Insurance, Section 203(n) Loan for Living Unit in a Cooperative. It is the responsibility of the lender to develop and include in the application information which locates and describes the cooperative project including the subject living unit, giving information about the structure, mortgage or loan balances, area and





composition of unit types, charges for residential units, parking, and commercial areas as well as equipment furnished and replaced and services paid for by the monthly charges. This information must be shown on the available space on the 2800-1. The appraiser, reviewers and Director, Housing Development utilize the information from the 2800-1 for the development of background information necessary to complete the appraisal. In the event the appraiser discovers an error in the information on the application, the error will be corrected in colored pen or pencil and initialed and dated. Living area is defined as the area of a dwelling unit measured from the inside surfaces of corridor and exterior walls, and from the inside of walls separating subject living area from adjoining living or commercial areas.

2-4. ROUTING - The Director, Housing Division must determine that the documents of the cooperative have been amended as required by Sections 203.43c(c) and (d) of Part 203 of the Regulations using the Area Counsel (see paragraph 1-13, Chapter I). Processing will continue while this determination is being made. The Director of Housing also obtains the insured project files from the Deputy Director for Housing Management/Housing Management Officer which contain the total estimated replacement cost of project for subject project at the time of last firm commitment processing, as well as the files which contain the last three annual inspection reports if available for subject project and also financial statements and operating budgets for the current year and attaches these files to the subject Section 203(n) processing file.

a. The application is then routed to the Valuation staff and assigned to the processing appraiser. The appraiser reviews all documents and forwards the financial statements to the Mortgage Credit staff for review and comment.

b. The appraiser will review the annual inspection reports and determine whether it is necessary to have an immediate architectural review of



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the project, or to wait until the appraiser visits the project and unit to determine whether an architectural inspection is necessary. A joint Valuation and Architectural review can be made when necessary.

c. The appraiser will notify the cost analyst of the application and request that the analyst provide a cost adjustment factor which will be used to update the total estimated cost of the subject project from the date of the last firm commitment to date of the application for the Section 203(n) mortgage insurance.

2-5. REPLACEMENT COST ESTIMATE - The Appraiser multiplies the original total estimated replacement cost of project by the cost adjustment factor to get the current total estimated replacement cost of project. He/she then multiplies the current total estimated replacement cost of project by the unit ratio shown in the application. The ratio represents the monthly charges for the subject unit divided by the sum of monthly charges for all units. It is usually shown as a decimal fraction and also indicates what proportion of the whole project is represented by that member's interest. (Once fixed, in the information bulletin when the cooperative is formed, the unit ratio does not change.) The product of the current total estimated replacement cost of project multiplied by the unit ratio is the current estimated replacement cost of the living unit.

2-6. ESTIMATED MARKET PRICE OF UNIT - Using Form FHA-2019, Estimates of Market Price by Comparison, record in the Subject Property column as many facts about the subject property as may be capable of influencing changes in the market price of subject property in comparison with competing properties recently sold in the market.



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(2-6) a. Comparison. Features which may be compared will include square feet of living area, number of baths, balconies, terraces or patios, parking or garage, heating and cooling equipment, kitchen and laundry equipment, livability of design, age of building, floor on which unit is located, other locational advantage or disadvantage within the building, neighborhood desirability (locational factors exterior to the cooperative), street improvements, utilities, or any other features which would affect market price. The ownership of a unit in a cooperative may include ownership of a proportionate share of recreational facilities, or of rental parking, or of income producing commercial space which exceeds the facilities usually available for, and included in, the value of single family dwellings.

(1) Comparison with sales of competing cooperative living units must give careful consideration to differences in all such variables.

(2) Adjustment for differences in such special

facilities consists of estimating the unit market value of the facilities in the subject unit and in the comparable unit and then subtracting the unit value of the comparable unit facilities from the value of those in the subject unit.

(3) The result is the plus or minus adjustment for the special facilities.

b. Adjustment for Non-cooperative Sales. Competing unit sales will be selected from those which offer advantages and disadvantages generally similar to those of the subject, and from those which compete generally for the same market as does the subject. The competing unit sales should be other cooperative units sales, if these are available. If these are not available, similar condominium, planned unit development (PUD) sales or other single family comparable sales may be used, with appropriate adjustment where the market indicates an adjustment is warranted.



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(1) The adjustment is indicated by the relationship between sales prices of cooperative and similar condominium units. The appraiser must gather data on this relationship from the closest area where both types of sales exist. By comparing sales prices of similar units in both types of projects, an adjustment factor from condominiums to cooperatives or from PUD's to cooperatives, can be estimated.

(2) All condominium or PUD comparables must be so identified on Form FHA 2019, and appropriate adjustments made.

c. Adjustments. Data items concerning each competing property are noted, in turn, and plus and minus dollar adjustments are entered for each significant difference between the subject property and the competing property. The sales price of the competing property is then modified by adding or subtracting the net plus or minus adjustment to provide an indicated market price for the subject living unit.

d. Correlation. The indicated market prices from several comparables, which include at least one conventional sale, are correlated to one estimated market price of unit.

2-7. CAPITALIZED INCOME OF UNIT - The monthly rental value of the unit multiplied by the monthly rent multiplier equals the capitalized income of the unit.

a. Monthly Rental Value of Unit. For the subject unit, estimate the market rent a cooperative unit owner could expect to receive from a tenant on the basis that the rent would include the owner furnishing to the tenant those services (including utilities) which are furnished to individual owners by the cooperative corporation at common expense and also furnishing to the tenant those items





of personal benefit expense which represent maintenance and repair but not those which represent the cost of utilities separately metered to the individual living unit.

(1) While a 203(n) loan can only be obtained by an owner-occupant, for the purposes of this approach to value, it is to be assumed that the property is rented and the tenant would pay the rent; and, to the utility company, the cost of separately metered utilities. The owner would pay the cooperative charges, the Section 203(n) loan payments, any individual insurance required in addition to that maintained at common expense, and any items of personal benefit expense which represent maintenance and repair. (Note: Rent will never be estimated on the basis that the tenant will directly pay the cooperative charges, and/or the Section 203(n) loan payments, since this would be a risky arrangement in which non-payment by the tenant might cause an owner to lose his/her living unit.)

(2) Rental values from similar units on different floors from the lowest to the top should reflect the relationship of rents paid in the market for similar units similarly located from bottom to top; this relationship should be used to adjust indicated rents for differences in floor between comparables and subject.

b. Monthly Rent Multiplier. Any recently rented property which is sold supplies information concerning its own rent multiplier: sales price/monthly rent = monthly rent multiplier. Data from cooperative units where both sales and rentals are known are analyzed to obtain rent multipliers for comparison, but rented condominium apartment sales or rented PUD or other single family comparable sales may also be used with appropriate adjustment, in estimating the typical relationship between rents and sales prices for subject units.



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2-8. CORRELATION OF THREE APPROACHES TO VALUE - The appraiser considers the three previously found estimates: current estimated replacement cost of unit, estimated market price of unit, and capitalized income of unit, in estimating the value of unit. The estimate of capitalized income may be used as a guide by the appraiser, but is not required to be a limit to the estimate of value. However, the value of unit may never exceed the lesser of estimated market price of unit or estimated replacement cost of unit.

2-9. VALUE OF OCCUPANCY CERTIFICATE - The project mortgage balance is multiplied by the unit value ratio; the product is the project mortgage attributable to the unit. This unit mortgage balance is subtracted from the estimated value of the unit. (The unit value of the leased fee (if any) is also subtracted from the estimated value of the unit.) The remainder is the estimated value of subject membership certificate and occupancy certificate.

2-10. CONDITIONAL COMMITMENT MORTGAGE AMOUNT - From the estimated value of the unit, subtract the unit value of the leased fee (if any), and add the Section 203(n) closing costs. On the resulting amount, compute the maximum mortgage that could be committed if this were a 203(b) home mortgage commitment. From this maximum 203(b) mortgage amount, subtract the unit portion of the project mortgage balance. The result is the maximum amount of Section 203(n) loan for an owner-occupant purchaser. The loan amount shall be rounded down to a $50 multiple. (Section 203(n) loans may not be insured for refinancing for the same owner when a sale or resale of the membership is not involved, nor may they be used to purchase a unit for investment when occupancy is not planned.)

2-11. TERM OF SECTION 203(n) LOAN - The loan shall be amortized monthly, and Regulations require that the term shall be 5, 10, 15, 20, 25 or 30 years, and that the term shall not exceed the least of (1) 30 years; (2) the remaining term of the blanket mortgage covering the cooperative development; or, (3) three-quarters of the remaining economic life of the building improvements.



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2-12. MONTHLY EXPENSE ESTIMATE - The expenses to be estimated by the appraiser fall into three categories:

a. Individual Insurance Expense Per Month (If Any). If cooperative charges include adequate insurance coverage, there may be no additional individual insurance expense. On the other hand, the 203(n) mortgagee may require an additional insurance policy to meet its requirements. Check with the mortgagee and enter the monthly amount of any additional insurance which is to be required.

b. Cooperative Charges Per Month. The charges made by the cooperative corporation comprise all expenses of operation and maintenance paid by the corporation, including taxes and insurance, and reserves, plus debt service on the project mortgage. Estimates should be verified with the cooperative.

c. Personal Benefit Expenses. These are other expenses, such as utility bills, which are paid directly by an owner, rather than being included in the charges made by the cooperative corporation. If the corporation does not provide interior painting within the living unit, this would become an item of personal benefit expense. If gas or electric bills are paid by the member directly to the utility company, these bills become part of the personal benefit expense estimate. In many instances the results are monthly averages of annual estimates.

2-13. UNIT VALUE OF LEASED FEE. The leasehold will be that of the project site, if a ground lease exists. The current value of the leased fee shall be estimated by multiplying the updated market price of the site by the unit ratio to arrive at the unit value of the leased fee. Thus, the value of the leased fee of the project site shall be valued in accordance with instructions in reference (4) of the Foreword.





2-14. CONDITIONAL COMMITMENT - Repairs, alterations or additions to the dwelling unit are required to be listed as specific conditions for correction if the conditions work against the continued soundness of the mortgage transaction. This should be accomplished based on the same criteria as is applied under the 203(b) program. In addition, if major repairs to the project are necessary before the dwelling unit would be eligible, such repairs should be listed as having to be corrected before the cooperative project can have insured mortgage financing under Section 203(n) made available.

# Chapter 3. MORTGAGE CREDIT PROCESSING

3-1. INTRODUCTION - Section 203(n) of the National Housing Act gives recognition to the real estate rights which the member/owner has in a project. It provides a financing vehicle whereby these estate rights can be readily purchased and financed by the member/owner. Mortgage Credit processing will begin at the conditional commitment stage and involves a determination of the amount and amortization of the loan; analysis of the acceptability of the applicant; and evaluation of the applicant's ability to meet current project carrying charges apportioned to the property being sold, as well as the additional payment on the Section 203(n) mortgage. The Mortgage Credit procedures and analyses are to be completed in accordance with reference (5) of the Foreword, except as modified herein, and applied equally to all mortgagors, regardless of race, color, creed, age, national origin, sex or marital status.

3-2. MEMBER/OWNER

a. Definition. Any person, persons or family who meets the criteria established by regulation and the credit and income requirements in this Handbook is eligible for this program.

b. Owner-occupant. The member/owner must be an owner-occupant of the unit being financed.

c. Corporate Certificate. The member/owner can own no more than one Corporate Certificate and that certificate must entitle him/her to the right to occupy a specific one-family unit in the cooperative in compliance with the terms of the bylaws of the corporation and the occupancy agreement entered into between the member/owner and the corporate entity.

d. New Ownership. It is the responsibility of the new member/owner acquiring a mortgage insured under Section 203(n) and the mortgagee to obtain a new Corporate Certificate and Occupancy Certificate representing the new ownership.



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3-3. GENERAL - Mortgage Credit analysis of the mortgage transaction proceeds logically in the steps listed below:

a. Determination of the amount and amortization period of the loan.

b. Analysis of the acceptability of the member/ owner.

3-4. MORTGAGE AMOUNT. Analysis of the credit risk is premised upon a loan for a definite amount and amortization period, subject to the following limitations:

a. Principal Obligation. The mortgage shall involve a principal obligation in an even multiple of $50 and for a term of 5, 10, 15, 20, 25 or 30 years providing for 60, 120, 180, 240, 300, or 360 monthly payments.

b. Amount of Loan. The maximum loan will be: $60,000 minus an amount equal to the portion of the unpaid balance of the blanket mortgage covering the cooperative attributable to the dwelling unit being sold.

or

97% of the first $25,000 of HUD estimate of value of the dwelling unit including closing costs as of the date the mortgage is accepted for insurance

plus: 95% of such value including closing cost in excess of $25,000.

minus: an amount equal to the portion of the unpaid balance of the blanket project mortgage attributable to the dwelling unit being sold.

or

The total cost of acquisition minus the mortgagor's investment in the property of at least:



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3% of the first $25,000 of the total cost of acquisition plus 5% of such cost of acquisition in excess of $25,000 minus an amount equal to the portion of the unpaid balance of the blanket mortgage attributable to the dwelling unit being sold. (The cost of acquisition is the total cost to the member/owner of the property securing the mortgage, including the cost of any repairs, alterations and additions to such property and the cost incidental to closing the transaction, but not including payments for accrued or unaccrued taxes, assessments, or insurance premiums.)

Whichever is less

Note: For a qualified veteran, the ratio would be 100 percent of first $25,000 of such value instead of 97 percent in accordance with Section 203.18(a) of the Regulations.

c. Determination of Maximum Insurable Mortgage Amounts.

Example: Known: Unit proportionate share of outstanding project mortgage: $20,000

(1) Statutory:

$60,000 less $20,000 (unit share of outstanding project mortgage): $ 40,000

(2) Loan-to-Value Ratio:

| | |
|---|---|
| HUD Appraised Value | $40,000 |
| Closing Cost | 1,000 |
| Total | $41,000 |
| 97% of first $25,000 | $24,250 |
| 95% in excess of $25,000 | 15,200 |
| Total | $39,450 |
| Minus: | |
| Unit share of outstanding project mortgage balance | $20,000 |
| Maximum Mortgage Amount | $19,450 |





(3) Cost of Acquisition:

| | |
|---|---|
| Sales Price | $37,000 |
| Repairs | 1,000 |

| | |
|---|---|
| Closing Cost | 1,000 |
| Total cost of acquisition | $39,000 |
| 3% of $25,000 | $ 750 |
| 5% of $14,000 | 700 |
| Investment | 1,450 |
| Total Cost of Acquisition | $39,000 |
| Minus: Minimum Cash Investment | 1,450 |
| Unit share of outstanding project mortgage balance | $20,000 |
| Maximum mortgage amount | $17,550 |

Maximum Mortgage Amount is the Lesser of 1, 2 or 3: $17,550

3-5. CASH INVESTMENT - The mortgagor's investment in the property must be equal to the difference between the total cost of acquisition and the amount of the mortgage to be insured, less the proportionate cost of the unpaid balance of the blanket project mortgage covering the cooperative attributable to the dwelling unit being sold but not less than 3% of the first $25,000 of the total cost of acquisition, plus 5% of such cost in excess of $25,000.

| | |
|---|---|
| Value of Property | $40,000 |
| Closing Cost | 1,000 |
| Total (for Mortgage Insurance Purposes) | $41,000 |
| Maximum Mortgage Amount | $39,450 |





Example

| | | |
|---|---|---|
| Sales Price (Equals Value of Property) | $40,000 | 3% of $25,000 = $ 750 |
| Closing Cost | 1,000 | 5% of $16,000 = 800 |

| | | |
|---|---|---|
| Total cost of acquisition | $41,000 | |
| Minimum cash investment | 1,550 | 1,550 |
| | $39,450 | |
| Unit Share of Outstanding project mortgage | -20,000 | |
| Maximum Mortgage Amount | $19,450 | |

3-6. BASIC PRINCIPLES OF ANALYSIS.

a. Member/Owner Credit Analysis. It is necessary to examine the credit report of the proposed member/owner and analyze the financial ability (submitted on Form FHA 2900, with required documentation) in order to determine the credit characteristics, ability to pay, and stability of employment.

b. Stability of Effective Income and Cash Investment Requirements. Stability of effective income is related to the early period of mortgage risk. Cash requirement is the amount required for investment.

c. Net Effective Income. An estimate of the net effective income of each member/owner shall be made and compared with the prospective monthly payment for the purchase of the corporate certificate. The stability of the member/owner's effective income will be related to the early period of risk under the mortgage.

d. Relationship of Prospective Monthly Housing Expense to Net Effective Income. One of the problems in mortgage credit analysis is to determine whether a mortgage obligation will be within the mortgagor's financial ability to pay. As a general guideline, if the total housing





expense does not exceed 35 percent of net effective income, the relationship of prospective housing expense to net effective income shall be considered acceptable, unless the member/owner has already demonstrated an inability to manage its affairs with a housing expense at or below this ratio. A ratio in excess of

35 percent may be acceptable where favorable compensating factors are present.

e. Relationship of Total Obligations to Net Effective Income. Member/owners having the same net effective income and the same housing expense will have different total obligations which will affect their financial capacity. The total obligations of a mortgagor include, in addition to the prospective monthly housing expense, other recurring charges such as State income taxes, retirement deductions, life insurance premiums, payments on loans and accounts, plus the monthly payment towards the purchase of the Corporate Certificate which represents the member/owner's real estate interest in the cooperative. In some cases, the burden of total obligations of the mortgagor may seriously affect the ability to pay.

(1) As a general guideline, if the combined total of prospective housing expense and other recurring charges does not exceed 50 percent of net effective income, the relationship of total fixed obligations to net effective income should be considered acceptable, unless the member/owner has already demonstrated inability to manage affairs with total fixed obligations at or below this ratio.

(2) A ratio in excess of 50 percent may be acceptable where favorable compensating factors are present.

f. Exhibits to be Submitted with Application.

(1) Application, Form FHA 2900

(2) Credit Report



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(3) Form FHA 2004-F, Verification of Deposit

(4) Form FHA 2004-G, Verification of Employment

(5) A signed/certified true copy of the Sales Contract (see paragraph 1-4 of Chapter 1 of this Handbook)

(6) A current balance sheet and operating statement, if mortgagor's principal income is from own business

(7) A statement, signed by the applicant, that he/she has received a copy of FHA Statement of Appraised Value, a copy of the Addendum to the Statement of Appraised Value, and HUD Fact Sheet 321-F-(5)

(8) A signed or certified copy of the Occupancy Agreement

g. Financial Capacity of Project. A current financial statement of the cooperative/project prepared by the authorized officer of the management group must be submitted by the mortgagee with the application for mortgage insurance. The statement must contain the normal financial information in addition to current vacancies and vacancy losses. Also there must be a statement of the number of units owned and rented by the cooperative corporation. The information is submitted with the application for conditional commitment. It is reviewed by the mortgage credit examiner who uses the information to complete a memorandum detailing the financial condition of the project. The Mortgage Credit examiner must coordinate the review with the Housing Management staff to assure that all potential problems are identified and called to the attention of the processing appraiser. Such problems include unusual number of vacant units, inadequate replacement reserves, etc.

h. The basic instructions for analysis of Mortgage Credit Risk are contained in Reference (2) of the Foreword.

TRI-PARTY AGREEMENT

This agreement made and entered into this ________ day of _______, 19___, by and among the Secretary of the Department of Housing and Urban Development (hereinafter the Secretary), __________________________ (hereinafter the Mortgagee), and, _____________________ (hereinafter the Corporation).

WHEREAS, the Corporation is the owner of a cooperative housing development located at _____________________________ and desires, on behalf of its members, to induce the Secretary to insure a mortgage involving Dwelling Unit Number ______, under Section 203(n) of the National Housing Act, and,

WHEREAS, the Mortgagee proposes to make a mortgage loan involving such dwelling unit and to submit an application to the Secretary for mortgage insurance, and,

WHEREAS, the Secretary will insure mortgages involving such dwelling units provided that the mortgages meet all





of the requirements of Section 203(n) of the National Housing Act and the regulations issued pursuant thereto, and,

WHEREAS, said regulations require that the Mortgagee and the Corporation enter into an agreement with the Secretary and with each other providing for certain waivers and requiring certain actions on the part of the

Mortgagee and the Corporation.

NOW THEREFORE, for or in consideration of the reliance upon the terms and conditions of this agreement, the parties mutually covenant and agree with respect to the mortgage submitted for insurance under Section 203(n) of the National Housing Act as follows:

1. At the time of application for insurance of a mortgage, the Corporation shall furnish the Secretary with the most recent annual certified financial report of the Corporation and the most recent monthly or quarterly financial report.

2. The Corporation waives any option or right of first refusal it may have to purchase the Corporate



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Certificate unless the Corporation pays the full amount due under such mortgage or pays the full amount of the Secretary's investment if the Secretary is the owner of the Corporate Certificate whichever is greater.

3. The Corporation waives all authority it may have to approve or reject a buyer of the Corporate Certificate except with the approval of the Secretary.

4. The Corporation will, on notice by the Secretary, act as the Secretary's agent for a fee to be determined by the Secretary for the limited purposes of:

   a. Selling all Corporate Certificates of the Corporation owned by the Secretary and,

   b. Renting and collecting rents for any dwelling unit for which the Secretary owns the Corporate Certificate.

5. The Secretary shall not be obligated to make payments to the Corporation for outstanding debts of the mortgagor.



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6. The Corporation will, upon request, furnish to the Mortgagee or to the Secretary:

   a. A statement certified by the officer charged with maintenance of the Corporate Certificate transfer book that such book currently shows that the Mortgagee or the Secretary is the owner of any Corporate Certificate transferred to the Mortgagee or the Secretary; and,

   b. The Occupancy Certificate in the name of the Mortgagee or the Secretary.

7. The Corporation will notify the Mortgagee at the address indicated above of any default in Corporation fee payments by the Mortgagor within fifteen (15) days of such default.

8. The Mortgagee will notify the Corporation of any default in mortgage payments by the Mortgagor within fifteen (15) days of such default.

9. The Corporation will, upon notice by the Secretary or the Mortgagee when the Secretary or the Mortgagee

is the owner of the Corporate Certificate and for a fee to be determined by the Secretary, evict any person or persons from the dwelling unit.

The Corporation further certifies that its organizational documents provide that:

a. Either the Secretary or a Mortgagee under a mortgage insured under this section shall be a member of the Cooperative Corporation for so long as either owns a Corporate Certificate;

b. A mortgage insured under this section shall be a first lien upon the property covered by the mortgage;

c. The Secretary may exercise the voting rights which are attributable to each Corporate Certificate owned by the Secretary;

d. The Secretary may designate as his/her proxy an agent for the purpose of exercising the voting rights of the Secretary which are attributable to the Corporate Certificate or Certificates owned by the Secretary;





e. The Secretary may cease making monthly payments attributable to any dwelling unit for which the Secretary owns a Corporate Certificate six months after the Secretary notifies the Corporation to sell the Corporate Certificate or upon default by the Corporation on the blanket mortgage covering the dwelling unit;

f. The Secretary or a Mortgagee shall not be obligated to make payments to the Corporation for any amounts unpaid by a Mortgagor under a mortgage insured under this section prior to the date the Secretary or the Mortgagee becomes the owner of the Corporate Certificate.

g. The permanent occupancy of the dwelling units is restricted to members of such Corporation.

IN WITNESS WHEREOF, the parties have caused this agreement to be duly executed in several counterparts each of which counterpart shall be considered an original executed copy of this agreement.

Format Letter to Transmit
Application for Conditional Commitment

Dear Field Office Manager/Supervisor:

Enclosed herewith is Form FHA 2800 together with appropriate exhibits requesting a conditional commitment for mortgage insurance under Section 203(n) of the National Housing Act. In requesting this conditional commitment, we hereby acknowledge that references to the term "property" in all processing forms, documentation, commitments, etc., concerning the 203(n) program refer to the Corporate Certificate and Occupancy Certificate except when the use of the term, as interpreted under Section 203(n) of the National Housing Act, clearly indicates that reference to the dwelling unit is intended, such term means the dwelling unit identified in the Occupancy Certificate.

Also, we agree to deliver to the purchaser of the Corporate Certificate involving the dwelling unit at (dwelling unit address), copies of the Statement of Appraised Value, the "Addendum to the Statement of Appraised Value," and HUD Fact Sheet 321-F-(5) before the purchaser signs the Form FHA 2900-1.

Sincerely,

Format Letter for
Approval of Organizational Documents/
Mortgage Form

Dear

This is to advise you that a review of the

(Organizational Documents, i.e., Certificate of Incorporation, Regulatory Agreement, Amendment to Regulatory Agreement and the Bylaws as amended)

(proposed mortgage form)

which accompanied FHA application (case number) has been completed and the (documents) (form) found acceptable.

(Accordingly, future applications submitted by you for Section 203(n) financing involving _____________ housing cooperative need not be accompanied by (Items 1 through 6) as set forth in paragraph 1-11 of HUD Handbook ______. In lieu of that documentation, a copy of this letter together with a certification as follows signed by an appropriate official of the ___________ housing cooperative should accompany each application, Form FHA ______.

"The provisions of the Organizational Documents approved by the HUD Field Office under letter dated ________________ are still in full force and effect, No changes whatsoever to the Organizational Documents have been made since that approval was secured."

___________________________________________________
((Officer) of ____________ Housing Corporation))





(A copy of this letter must be submitted with any submission for insurance endorsement involving a Section 203(n) mortgage loan. Also, the following certification executed by an officer of your company must accompany the copy of the letter.

"The provisions contained in the security instrument are identical to those approved by HUD under letter dated ___________ (copy attached).

___________________________
((Officer) of (Mortgagee))

Sincerely,

# ADDENDUM TO STATEMENT OF APPRAISED VALUE

The Department requires that you receive a Statement of the Appraised Value of the dwelling unit your Corporate Certificate entitles you to occupy. A copy of the Statement of Appraised Value and this Addendum must be given to you before you sign Form FHA 2900-1, Application for Mortgagor Approval and Commitment for Mortgage Insurance.

HUD has estimated the value of the dwelling unit you will be entitled to occupy when you buy your Corporate Certificate. This amount is in the block "Estimated Value of Property." The Corporate Certificate you are purchasing does not have the same value as the value of the subject dwelling unit. The estimated value of the Corporate Certificate equals the estimated value of the dwelling unit less the portion of the outstanding balance of the project mortgages, if any, attributable to the Corporate Certificate you are purchasing.

In addition to the "Statement" and this Addendum, HUD requires that you be provided with a copy of HUD Fact Sheet 321-F-(5), HUD Comparison of Cooperative and Condominium Housing, prior to signing the application, Form FHA 2900-1.



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You should keep in mind when reading the "Statement" and other documents relating to your purchase of the Corporate Certificate that when the term "property" is used, it refers to the Corporate Certificate. However, sometimes "property" means dwelling unit. Where "property" means the dwelling unit, it will be obvious in the context of the document that it is the dwelling unit identified by the Corporate Certificate.



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