

CHAPTER 9. ARCHITECTURAL PROCESSING

9-1. APPLICABILITY.

- a. Processing. Processing is to the extent desired by the Assistant Director Single Family/Chief Underwriter (ADSF/CU). The following procedure and instructions apply to existing properties. (See Reference (1) of the Foreword for complete processing instructions for proposed projects and projects to be rehabilitated.)
- b. Eligibility. Living units to be eligible must be located in a property of four or more living units which is or has been covered by a project mortgage insured by HUD-FHA or has less than 11 units. Properties may be existing and operating on a rental basis, or be proposed or rehabilitation multifamily projects in which the sale of individual living units is proposed.

9-2. EXAMINATION OF CONDITION. Every living unit and the project in general are examined to ascertain the repairs and replacements necessary to immediately place the buildings in acceptable condition of marketability to typical purchasers. The buildings must also meet the objectives of the Minimum Property Standards in order to avoid the assumption of any undue risk in insuring the living units. In addition, the remaining useful life of equipment and mechanical features in the living units and the project in general are reported. Items of repair and replacement as well as items requiring an estimate of useful life are identified by location and living unit number, if they are not entirely general in their application.

- a. Mechanical Engineer. Where advisable, because of the nature of the project and noted conditions, it is recommended that the Field Office Director require sponsors to employ a competent licensed mechanical engineer. This engineer must be acceptable to the Field Office. He will report on all mechanical elements in the project and their condition, as well as the remaining-useful life of various elements. He will also report immediately needed repairs and replacements and the probable cost of such work.

- b. Alterations. During examination, any additions or alterations, made since the project was initially insured must be reported. Those which do not conform with the objectives of the Minimum Property Standards must be corrected to an acceptable condition.

- 9-3. REPORT OF ARCHITECTURAL EXAMINATION. This report is prepared in memorandum form to include the findings of examination of condition. Items needing immediate repair or replacement, including any additions or alterations made since the project was initially insured, are listed with and identified by location and work required. The report will include a tabulation showing:
- a. The identity of each living unit, grouped as to type (units having identical arrangement and rooms).
 - b. Number of rooms in each unit and totals.
 - c. Number of units of each type or composition (with particular note of number of bedrooms in each) and the number of rooms and units in the project.
 - d. The number of garages and parking spaces in the project.
 - e. Living units for project employees are listed separately, and if not to be sold, will be part of the common areas.
- 9-4. REVIEW AND NEGOTIATION. The report of examination is reviewed by the ADSF/CU to confirm the items of repairs and replacements needed immediately. The report is supplemented by any additional requirements of the Valuation and Mortgage Credit Sections and/or the ADSF/CU. These are discussed with the sponsor. They then are transmitted to the sponsor to serve as the basis for any needed plans and specifications. They also serve as conditions to be met prior to the insurance of the individual living units in the project.
- 9-5. COST ESTIMATION. This consists of various estimates described below which shall be tabulated in a report entitled Report of Architectural Estimates - Section 234, identified with project name and number.
- a. The estimated cost of repairs and replacements finally determined to be needed immediately. Costs will be based on those prevailing in the locality for similar properties.

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- b. The estimated cost of any additions or alterations made since the project was initially insured. Costs will be those currently in effect in the locality. Draperies are not eligible under Section 234(c); therefore, the cost of any draperies included in the original replacement cost shall be deducted.
- c. A percentage of increase (or decrease) that present costs will bear to the estimated cost of the Total for All Improvements at the time of initial mortgage insurance. The percentage will be determined from cost data obtained by the Cost Analyst.

9-6. ANALYSIS OF PHYSICAL IMPROVEMENTS. An analysis is required for each type of living unit in the project. Considerations are similar to those outlined for single family dwellings.

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