

FHA FORM NO 3284-A
SEPTEMBER 1972

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION

COMMITMENT TO INSURE UPON COMPLETION
(Section 234 - Simplified Project Mortgage Procedure)

TO: _____
(Mortgagee)

(Street)

(City and State)

RE: FHA PROJECT NO. _____

(Name of Proposed Mortgage)

(Location of Project Site)

(Name of Sponsor to Whom Correspondence should be addressed)

(Sponsor's Address)

The Federal Housing Commissioner having considered your application and exhibits submitted therewith for the insurance of a mortgage upon completion of the above project, finds it to be eligible for insurance under the provisions of Section 234 of Title II of the National Housing Act, and FHA Regulations thereunder now in effect. Subject to such Regulations and to the following conditions, the Commissioner will endorse as insured an original credit instrument secured by a first mortgage upon the land and property included in the project, as hereinafter described, in an amount not to exceed \$ _____.

1. The loan shall bear interest at the rate of _____ percent per annum payable on the first day of each month on the outstanding balance of principal. The first payment to principal (commencement of amortization) shall be due on the first day of the _____ month following the month in which the commitment is dated. The loan shall be payable on a level annuity basis by 480 monthly payments of principal and interest in the amount of \$ _____. The maturity and final payment date shall be 39 years and 11 months following the due date of the first payment to principal (commencement of amortization).
2. a. Drawings, Specifications, and General Construction Contract Conditions.
There has been filed with this Administration a "Master Set" of the after-mentioned Drawings and Specifications of the Project together with the general conditions of the contract for the construction of buildings in the standard form of the American Institute of Architects, current edition, and Supplementary General Conditions, which said Master Set shall remain on file with this Administration and be the controlling factor with respect to any matters which may arise as to the language, provisions, and contents of said "Drawings and Specifications." In addition thereto, this Administration shall be furnished with three (3) duplicate sets of said Drawings and Specifications at the time of issuance of this commitment.
b. Upon endorsement of the Mortgage for insurance, the Project shall have been completed strictly in accordance with the requirements of said Drawings and Specifications except as they may have been modified by changes formally accepted in writing by this Administration before the changes are made. All requests for changes in the Drawings and Specifications must be in writing signed by the Mortgagee and the Mortgagor and shall be conditioned upon the acceptance of the Commissioner, which acceptance may be subject to such conditions and qualifications as the Commissioner may in his discretion prescribe, it being understood that the Commissioner at all times has the right to require compliance with the original Drawings and Specifications.
3. a. Construction of Project.
Construction shall commence upon the Project within 30 days from the date of this commitment and must be continued thereafter diligently to completion. If construction is not started within such time this commitment shall terminate unless the time for commencement of construction is extended in writing by this Administration.

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- b. It is understood that the project is to be built in accordance with certain drawings and specifications prepared by _____ (architect(s)) and entitled _____ which drawings and specifications have been identified by the signature and initials of the mortgagor, mortgagee, architect(s) and this Administration; and that the project is to be erected on the real property situated in the _____ of _____ and State of _____ at _____ as shown on the survey or plat and legal description of the property attached hereto and marked "Exhibit A."
- c. Prior to the execution of any Construction Contracts, the mortgagor, the mortgagee and the Commissioner shall, for the purpose of precluding any excess of mortgage proceeds over statutory limitations based on actual costs, execute an Agreement and Certification (FHA Form 3305-A or 3306-A), as designated by the Commissioner.
- d. Any contract or subcontract executed for the performance of the construction of the project shall comply with all applicable labor standards and provisions of the regulations of the Secretary of Labor issued May 9, 1951, pursuant to the Reorganization Plan No. 14 of 1950 and shall contain all of the provisions which are set forth in Article 11 of the Construction Contract, FHA Form 2442 or FHA Form 2442-A.
- e. Prior to the beginning of construction the mortgagor shall deliver to the Commissioner the contractor's certification regarding prevailing wage requirements, FHA Form 2482 and the general contractor's and subcontractor's statement, FHA Form 2482-A.
- f. During the course of construction this Administration shall at all times have access to the property and the right for its own benefit to inspect the progress of construction. If the project is not completed or is otherwise ineligible for mortgage insurance within the term of this Commitment, this Administration, prior to endorsement of the mortgage for insurance, may require the payment of an additional sum to cover the estimated cost of further inspection required by reason of the delay. In addition, if required by this Administration, the mortgagor will furnish at the project site all necessary facilities for use of this Administration's inspector such as office space, use of telephone, typewriter, etc. Inspection of construction by a representative or representatives of the Administration is for the benefit and protection of this Administration in its determinations as to the acceptability of the security for mortgage insurance purposes.
4. Prior to endorsement of the project mortgage by the Commissioner, written assurance of financing of the proposed condominium purchasers must have been submitted to and approved in writing by the undersigned.
5. Prior to endorsement of the mortgage by the Commissioner
- a. The first year's mortgage insurance premium equal to one-half of one percent (1/2%) of the mortgage amount shall be paid to the Commissioner by the mortgagee.
 - b. Copies of the following papers and documents, in form and substance satisfactory to the Commissioner, shall be duly executed and delivered to this Administration
 - (1) Participation Agreement, if any, between Mortgagee and Participating FHA approved mortgagees based on FHA model form.
 - (2) Assignment of the within commitment, if any, to an FHA approved mortgagee.
 - (3) Mortgage Note (or Deed of Trust Note) and Mortgage (or Deed of Trust).
 - (4) Ground Lease, if any, based on the FHA model form, according to the Commissioner and the Mortgagor the option to purchase the fee under stated conditions for the sum of \$ _____, and providing for an annual rental not in excess of \$ _____.
 - (5) An up-to-date survey duly certified to by a registered surveyor satisfactory to this Administration showing that there are no easements or encroachments upon the subject property except those approved by this Administration and that the improvements of the Project have been constructed upon the land covered by the Mortgage and within the building restriction lines, if any, on said land and do not encroach upon or overhang any land not covered by the Mortgage or beyond the said building restriction lines, if any, nor upon any easement or right-of-way, and showing the exact location of water, sewer, gas, and electric lines and mains, and all easements for such utilities then existing.
 - (6) Certificate of Incorporation of the mortgagor corporation based on FHA model form which contains authority for the recordation of Regulatory Agreement FHA Form No. 3278.
 - (7) By-Laws of the mortgagor in form satisfactory to the FHA.
 - (8) Minutes of mortgagor's organization meetings; director's meetings and stockholders' meetings, including resolutions authorizing the execution of the Mortgage, Note and related papers.
 - (9) Applicable Zoning Ordinances, maps and building permits. Also, letter from appropriate officials indicating compliance therewith.

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- (10) Mortgagor's Certificate (FHA Form 3218), with required attachments, modified in manner satisfactory to Commissioner.
- (11) Certificate of Mortgage (FHA Form 3224), modified in manner satisfactory to Commissioner.
- (12) Mortgagor's Attorney's Opinion addressed to FHA and mortgage indicating compliance with all legal requirements in formation of the mortgagor corporation and execution of documents.
- (13) Contractor's Prevailing Wage Certificate (FHA Form 2403-A).
- (14) Certificate, if appropriate, from mortgagee's attorney in lieu of chattel mortgage. (If a chattel mortgage is required, same must be furnished.)
- (15) Mortgagor's Certificate of Actual Cost (FHA Form No. 337A) and, if required by the Commissioner, Contractor's Certificate of Actual Cost (FHA Form No. 337BA).
- (16) Contractor's, Subcontractor's, and Mortgagor's Certifications (FHA Form No. 360B) where applicable.
- c. The following requirements shall be met prior to the endorsement of the mortgage for insurance:
- (1) Evidence shall be submitted to this Administration that the buildings, including electric wiring, plumbing, gas, and other appliances therein have been inspected and approved by all departments, boards, or agencies of the municipality, county, or State, or other governmental bureau or departments having jurisdiction thereof, and that such certification as may be required with respect to the approval of the said buildings for occupancy and otherwise as may be required by this Administration have been issued to the Mortgagor, and neither the whole nor any part of the Project shall be opened for occupancy without prior approval of this Administration nor prior approval of a rental schedule as required by the Commissioner.
 - (2) Evidence satisfactory to the Commissioner shall be submitted showing that adequate water, sewer, gas, and electric facilities have been fully installed and that necessary public streets, sidewalks, and curbing outside the Project site have been completed. All off-site facilities or utilities as may be required by the special conditions of this commitment shall be included in such evidence.
 - (3) A Regulatory Agreement shall be executed by the mortgagor on a form acceptable to the Commissioner. In lieu thereof the Commissioner may require the mortgagor to issue preferred stock to the Administration.
 - (4) Mortgagor's Certification as to the cost incurred by it for legal and organization expenses, together with evidence, satisfactory to the FHA, that it has deposited in escrow or segregated in such other manner as may be satisfactory to the Director, not less than \$_____ to pay the cost of legal and organization expenses of the proposed condominium. In the event conversion to a condominium is not effected, any sum remaining in such fund shall, at the expiration of two (2) years from date of completion of the project, be applied to the reduction of the mortgage or in such other manner as the Commissioner may direct.
 - (5) The developer/mortgagor shall furnish evidence satisfactory to the Commissioner that the work of the Contractor is covered by a guarantee, running for a period of at least one year, against latent defects and faulty workmanship and defective materials, which guarantee will be evidenced by a valid Surety Bond Against Latent Defects (FHA Form 3259) in an amount not less than 10% of the total of all the eligible mortgage amounts established by HUD for the condominium units in the project, running for a period of not less than two years following substantial completion of the project, or, an escrow deposit with the mortgagee in an amount equal to 2½% of the total of all the said eligible mortgage amounts, subject to the control of the mortgagee for a period of one year as an assurance for the correction of latent defects, faulty workmanship, and defective materials, which sum, upon failure of the developer/mortgagor to make such corrections as are required by the mortgagee or HUD within said one-year period, may be used by the mortgagee, or its assigns, for making such required corrections. The aforesaid instruments shall contain a clause permitting an assignment of the mortgagor's rights thereunder to the Association of Owners and to the members of such association, as their interests may appear, pursuant to item 7 of FHA Form 3259.
 - (6) The Mortgage must be current with respect to all payments required to be made by its terms, including all deposits required to be made with the Mortgagee for mortgage insurance premiums, fire, and other property insurance premiums, ground rents, water rates, taxes and other assessments; and there shall be in full force and effect fire and other property insurance as required by the insured Mortgage.
 - (7) The Mortgagor shall not be required to pay to the Mortgagee an initial service charge in excess of one and one-half percent (1½%) of the original amount of the mortgage.
6. The Mortgagee and Mortgagor shall make application for endorsement on a form to be designated by the Commissioner. Prior to such endorsement, the Mortgagor shall furnish to the Commissioner evidence of bona fide efforts to effect sale of the units in the project on a condominium basis as contemplated herein.
7. All condominium organizational and solicitation documents must be submitted to the undersigned for written approval prior to public solicitation of condominium purchasers and solicitation must be made only pursuant thereto. All funds collected from prospective purchasers must have been escrowed with an escrow agent and in the manner specified in the Subscription and Purchase Agreement, FHA Form No. 3279.

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8. Any variation from the terms of this Commitment, or any change in the Drawings and Specifications or any change in the Sponsorship must be explained in writing or in a supplementary application signed by the Mortgagor and Mortgagee prior to endorsement of the credit instrument. In the event of any such changes without the written approval of the undersigned, the Commissioner reserves the right to refuse endorsement pending compliance with the original terms and conditions of this Commitment.
9. This commitment is conditioned upon the payment of a Commitment Fee of \$ _____ and of an Inspection Fee of \$ _____ upon delivery of the commitment to the mortgagee. If said fees are not paid within thirty (30) days subsequent to the date of this commitment, this commitment shall become null and void on the thirtieth day and no extension will be permitted. A request for reopening received within ninety (90) days after this commitment becomes null and void will require the payment of the customary reopening fee and the commitment and inspection fees.
10. This Commitment shall terminate on _____, 19____, unless renewed or extended by the Commissioner. Prior to any renewal or extension of this Commitment, the Commissioner may, at his option, reexamine the Commitment to determine whether it shall be extended in the same amount and under the same conditions.
11. A firm commitment to insure a mortgage within two years from the date of completion of the project on each individual unit listed in the Schedule of Units (Exhibit A attached hereto), will be issued by the Commissioner on FHA Form 3275* upon submission of a Mortgagee's Application (FHA Form 2900), duly executed by an approved mortgagee and a borrower whose credit standing, cash investment and other qualifications are satisfactory to the Commissioner. The amount of each credit instrument shall not exceed the sum set forth in Exhibit A and the mortgage term shall not exceed _____ months.
12. Any Principal who is now involved or who may later become involved in this project by way of financial interest, employment, or otherwise, as defined under the FHA Form 2530 procedures and who has not filed a certificate with the Commissioner fully disclosing his previous participation in FHA multifamily programs, shall file such a certificate on the form prescribed by the Commissioner and must be approved under these 2530 procedures prior to the initial endorsement of the mortgage for insurance.
13. "Notwithstanding any provision herein to the contrary, this commitment shall not be effective unless and until 80% of the total value of all units of the project have been subscribed for by HUD-approved purchasers."
14. "Notwithstanding any provisions herein to the contrary, the project mortgage shall not be eligible for insurance endorsement unless the mortgagee's request for insurance endorsement is accompanied by a simultaneous request for termination of the project mortgage insurance."
15. Additional Conditions:

FEDERAL HOUSING COMMISSIONER

BY _____
(Authorized Agent)_____
(Title)

DATED _____

(FHA Insuring Office)

*Mortgagee should consult the form of Commitment for Insurance (FHA Form No. 3275), which sets forth conditions which must be complied with prior to insurance endorsement.

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