1. This Transmits

Handbook 4435.01 REV-1, Project Construction and Servicing Before Final Closing, CHANGE 2.

2. Summary. This change adds a new Section 1-16.1, Pro-Rata Distribution of Tax Credit Proceeds, to implement the revision of the regulation 24 CFR Part 200.54, effective on August 29, 2003 (FR-4792-I-01 Distribution of Tax Credit Proceeds). 24 CFR 200.54(a) requires that funds provided by the mortgagor must be disbursed in full for project work, materials and incidental charges and expenses before disbursement of any mortgage proceeds. The revised 24 CFR 200.54(b) states that mortgagor front money for low-income housing tax credit and historic tax credit projects need not be fully disbursed before the disbursement of mortgage proceeds, where approved by the Commissioner in accordance with terms, conditions, and standards established by the Commissioner.

Handbook 4435.01 REV-1, Section 1-16 explains the funds disbursement priority for insured advances: First, all escrow funds provided by the mortgagor, second, grant/loan proceeds, except those subject to a pro-rata disbursement agreement, and third, the insured mortgage proceeds.

Section 1-16.1 implements the revisions to 24 CFR 200.54(b) by establishing the terms, conditions, and standards for front money in tax credit cases to be disbursed on a pro-rata basis along with the insured mortgage proceeds. Section 1-16.1 explains that the mortgagor's front money, including proceeds from the sale of LIHTCs or historic tax credits must be deposited with the mortgagee in an amount sufficient to meet requirements at initial closing. The mortgagee and the HUD field office will set up a schedule for disbursement of the mortgagor's cash escrow and the mortgage proceeds concomitantly (on a pro-rata basis). The percentages and amounts must be property documented. Release of front money on LIHTC or historic tax credit cases may not be targeted to the completion of specific on-site improvements.

Similar changes have been made to the Multifamily Accelerated Processing (MAP) Guide and Handbook 4470.1.

3. Filing Instructions:

Remove: Page 1-29
Insert: Pages 1-29 and 1-29.1
1. This Transmits Handbook 4435.01 REV-1, Project Construction and Servicing Before Final Closing, CHANGE 1.

2. Summary. This change revises paragraph 1-33 to bring it into conformance with outstanding regulatory provisions, 24CFR Part 207.261(d) and (e).

   a. Instructions regarding mortgagee assignment of the title to an insured mortgage after full disbursement, paragraph 1-33.B., have been changed to show that prior HUD approval is not required.

   b. Instructions regarding mortgagee transfer and pledge of transfer of partial interest in an insured mortgage, paragraph 1-33.C., have been changed to show that transfers of 100 percent or less of beneficial interests may be made without prior HUD approval, subject to specified conditions.

   c. Instructions regarding the pledge of title and/or beneficial interests have been expanded, paragraphs A., B., and C.

   d. Instructions for unauthorized transfers, paragraph E., have been revised editorially to conform with terminology used in paragraphs A through D.

3. Filing Instructions:

   Remove:                           Insert:

   Index Page v.                     Index Page v.
   Dated 6/93                         Dated 9/94
1. This Transmits Handbook 4435.01 REV-1, PROJECT CONSTRUCTION AND SERVICING BEFORE FINAL CLOSING.

2. Summary. This revision consolidates Handbook 4435.1, Construction Period To Final Closing For Project Mortgage Insurance, dated October 1972, and Handbook 4435.2, Project Servicing Procedures Prior to Final Endorsement, dated April 1975, into one handbook. It also incorporates Handbook 4440.1, Chapter 5, Cost Certification. The revised handbook has a new format and incorporates all Handbook changes, Notices and policy changes since the original issuance. The major changes and additions include, but are not limited to the following:

a. Instructions for conducting the preconstruction conference have been relocated from Handbook 4430.1, dated November 1972, and updated in paragraph 1-2.

b. Instructions for payment of Components Stored Offsite have been relocated from Handbook 4430.1, dated November 1972 to paragraph 1-6.

c. Instructions for the early partial release of the contractor's holdback have been updated in paragraph 1-27 and Appendix 5.

d. Instructions pertaining to the assignment of insured mortgages have been relocated from Handbook 4430.1, dated November 1972, and updated in paragraph 1-32.

e. Instructions have been added in paragraph 1-30 regarding the responsibilities of the technical disciplines for processing a mortgage increase.

f. Chapter 3 provides new instructions regarding the completion of repairs pursuant to Section 223(f).

h. Chapter 6 and Appendix 4 incorporate instructions previously in Handbook 4430.1, dated November 1972, relative to the termination of a supervisory architect's services when poor performance continues uncorrected.

i. New instructions, Appendix 3, are included to calculate a blended interest rate when a mortgage increase is approved at an interest rate different from the original mortgage interest rate.

3. Cancellations:


Handbook 4440.1, Chapter 5, Cost Certification.

4. Filing Instruction:

Remove:                                Insert:


Nicolas P. Retsinas
Assistant Secretary for Housing
- Federal Housing Commissioner

6/93                             2

Handbook 4435.01 REV-1

U.S. Department of Housing and Urban Development
Office of Housing

DIRECTORS,
HOUSING DEVELOPMENT

June 1993 PROJECT
CONSTRUCTION
AND SERVICING
BEFORE FINAL
CLOSING

W-3-1, W-2(H), W-3(A)(H)(OGC)(ZAS), W-4(H), R-1, R-2, R-3,
R-3-1, R-3-2, R-3-3, R-6, R-6-1, R-6-2, R-7, R-7-1, R-8