

CHAPTER 1. GENERAL

- 1-1. INTRODUCTION. On the expiration of 30 days after completion of construction, the next step is the final closing of the mortgage insurance transaction. The 30-day waiting period is stipulated in the construction contract, and the building loan agreement to allow time for clearance of liens. If however, the mortgagee desires to close at an earlier date, and if the title company issues a title policy which is free of all liens, then the Field Office Director may take the necessary steps to close before expiration of the 30-day waiting period.
- 1-2. ACCEPTABILITY OF TITLE. While the acceptability of the title company is the responsibility of the Field Office Director, the closing attorney has the responsibility of determining the acceptability of title. It is the latter's further responsibility to bring to the attention of the Field Office Director any restrictions or covenants in the title as well as the recital in the title policy of any lien subordinate to the lien of the insured mortgage. The Director has the responsibility for considering the nature of any such liens and prior to actual final endorsement of the mortgage requiring the mortgagor to furnish acceptable evidence that arrangements have been or will be made to remove such liens from the policy.
- 1-3. ADVICE ON JUNIOR LIENS. In no case will the Field Office Director refuse to close because of outstanding Junior liens without having furnished all facts to the Director, Office of Unsubsidized Housing Programs who will seek a legal analysis, if necessary, and will advise the Field Office Director of the final administrative decision.
- 1-4. EXCEPTION TO TITLE. Any exception to title, not shown in the title evidence accepted at initial closing, which affects the use or marketability of the project should be examined carefully by the field office. If a clear determination cannot be made that the exception does not adversely affect the value of the property, the question should be submitted to the Director, Office of Unsubsidized Housing Programs for resolution.
- 1-5. COMPLETION FOR FINAL CLOSING DEFINED. Completion, for the purpose of final closing, means that:
- a. The project has been completed in accordance with the drawings and specifications, except for approved items of delayed completion covered by an acceptable escrow agreement; and
- 4440.1
- b. The entire project has been accepted for occupancy by the local authorities having jurisdiction, by the lender, and HUD-FHA.
- 1-6. PREPARATION FOR FINAL CLOSING. Upon the determination that an advance of mortgage funds is, or will be, the last advance prior to disbursement of the holdback (or at the time of substantial completion, whichever is earlier) preparation for final closing and final endorsement of the mortgage instrument should begin. At this point, it should be possible

to make the determination required by Paragraphs 2-1, 3-1, 3-6 and 4-2. The Field Office shall advise the closing attorney with respect to these determinations and shall transmit the instructions to the closing attorney and shall also advise the mortgagor in writing (with a copy to the closing attorney) of the time estimated to be necessary to complete the computations required by Paragraphs 4-4, 5-12 and 5-14. The closing attorney shall then advise the mortgagor and mortgagee of the instruments and requirements for final closing.

- 1-7. DATE FOR FINAL CLOSING. Upon completion of the review of the certification of actual cost, upon preparation of FHA Form 2580 and upon receipt of the agreement described at Paragraph 4-4, if such agreement is required, the Field Office Director will advise the mortgagor, mortgagee and closing attorney of his findings and readiness for final closing and a date acceptable to all parties for such closing shall be set.