

CHAPTER 3. ARCHITECTURAL INSPECTION

- 3-1. NATURE AND PURPOSE OF INSPECTION.
- A. Nature. The instructions for inspection are the same for projects involving the insurance of advances and those to be insured upon completion, except for those variations specifically stated to be applicable to one or the other.
 - B. Purpose. Inspection means the periodic observations made of construction at the site of a multifamily housing project by a HUD representative (inspector) for the purpose of protecting the interest of HUD. Inspections are made to evaluate the contractor's and architect's performance, to obtain construction in accordance with the contract documents, and to report on conformance with prevailing wages and other contract requirements.
- 3-2. ACCESS. At all times HUD has the right of access to the property and the right to inspect all work performed and materials furnished to complete the project.
- 3-3. PRODUCTION BRANCH CHIEF'S DUTIES. The Production Branch Chief is responsible for the proper performance -of all functions relating to inspection, as well as the instruction and supervision of all Architectural and Engineering personnel involved. Although immediate supervision and other functions may be delegated to the Team Leader, the Production Branch Chief must keep informed of the general progress of the work on all projects during the construction stage and guarantee period and be familiar with the problems involved.
- A. Field Supervision. The Production Branch Chief shall keep informed of the general quality of inspections and the performance of Inspectors by maintaining close contact with their work through job site visits. A regular routine for supervising field operations should be established and followed. Required and suggested methods of field supervision follow.
 - 1. A minimum of two field review inspections shall be made on each project to evaluate the performance of the Inspector. Though this function may be delegated in part to the Team

- (3-3) Leader, the Production Branch Chief shall take at least one of the required field evaluations. Field review inspections shall be recorded on a HUD Representative's Trip Report, Form HUD-5379 in accordance with Handbook 4480.1, Multifamily Underwriting Forms Catalog, reference (1) of the Foreword.

2. The Inspectors may be accompanied during their rounds. This method is particularly advantageous in training new inspectors.
 3. Construction should be field reviewed where the use of questionable methods of materials, uncorrected noncompliances, or other problems are reported.
 4. Projects. should be field reviewed at construction stages where problems typically occur.
- B. Office Review. All HUD Representative's Trip Reports, Form HUD-5379, shall be reviewed by the Production Branch Chief or Team Leader. If the reported conditions indicate the necessity 'or desirability of field review or other special handling, appropriate action shall be initiated.
1. Review should not be restricted to the entries on the report. The absence of significant evaluation comments may, under certain circumstances, indicate desirability of field review.
 2. Cognizance should be taken of progress, trends, new or uncorrected noncompliances, unusual conditions, etc., in order to be familiar with the work and to initiate any required corrective action immediately.
 3. The inspector shall be advised of any unsatisfactory action or detail in the report, or any error in its preparation, so that similar mistakes will not occur in the future.
- C. Training. The Production Branch Chief should develop the A&E staff so that Design Representatives can function effectively as inspectors. Such cross training will provide flexibility when making job assignments.

12/95

Page 3-2

4460.1 REV-2

- (3-3) 1. Inspection conferences shall be held at least once a month. The purpose of the conference is to maintain and improve the quality and efficiency of the construction observation function.
- a. Conferences shall be scheduled in advance and records kept of attendees and subjects.
 - b. Inspectors, staff and fee, shall attend unless distance between the inspector's station and the Field Office make regular attendance inadvisable. Such personnel may attend special conferences or be kept advised of developments during field review or by memorandum.
 - c. Inspection conferences should provide the A&E

staff with training on materials, construction methods, inspection of the work of various trades, HUD requirements, and new developments or instructions in any construction related area.

- d. Inspection personnel should be encouraged to offer suggestions for improvement of inspections, and to discuss field conditions and construction problems.
 2. Field and office review of inspections will indicate individual training needs and subjects for discussion at inspection conferences.
 3. It is essential that new Inspectors, staff and contract, be trained in the field as well as in the office.
- D. ASSIGNMENT. A staff member of the Production Branch will be assigned as inspector by the Production Branch Chief prior to the date set for the beginning of project construction. The person inspecting the project may be a Design Representative, a Construction Representative, or Contract Personnel. In this handbook that person is referred to as an "inspector." The Production Branch Chief selects the inspector on the basis of competency with due regard to the scope of the project and to

4460.1 REV-2

(3-3) the type of construction involved. Several projects being constructed concurrently may be handled by one inspector. Only in very unusual circumstances will an inspector be assigned fulltime to any one project. Upon assignment, the Production Branch Chief issues to the Inspector the following:

1. Set No. 3 of the contract drawings and specifications This set becomes the HUD as-built set by the Inspector conforming it to the contractor's "Record Set."
2. Copy of the Construction Contract. The required contract where insured advances are involved is Form [HUD-92442](#) or 92442A. These forms may or may not be used in insurance upon completion cases, but a construction contract in some form is required and must be furnished to the inspector.
 - a. Form [HUD-92442](#), Construction Contract-Lump Sum, is generally used when there is no identity of interest between the sponsor and the contractor.
 - b. Form HUD-92442A, Construction Contract-Cost Plus, may be used in any case, and shall be used when there is an identity of interest between the sponsor and contractor.

3. Owner-Architect Agreement, AIA Document B-181, when an architect is required to administer the construction contract.
4. Contractor's and/or Mortgagor's Cost Breakdown - Schedule of Values, form FHA-2328 when insured advances are involved.
5. Drawings and specifications pertaining to offsite improvements.
6. Agreements or contracts providing for offsite construction.

E. Construction Progress Meetings. Prior to the start of construction the contractor, owner, supervisory architect and the HUD Inspector must be informed by the Production Branch Chief that they are required to attend monthly job meetings.

12/95

Page 3-4

4460.1 REV-2

- (3-3) The meetings should preferably be at the job site when monthly request for advances are prepared.
1. The owner's representative must be a member of the 'mortgage entity, usually a general partner. Nonprofit organizations may be represented by a member of the board of directors.
 2. The HUD Inspector must:
 - a. Comment to the group on the quality of construction and of the architect's observations and the contractor's supervision.
 - b. Comment on all known construction defects and deficiencies (non-compliances) and methods of correction.
 - c. Explain that changes in the work from the contract documents (non-compliances) must be resolved by approved change order requests or the work done in accordance with the contract documents.
 - d. Inform parties of HUD policy for holdback of construction advances until non-compliances are corrected.
 - e. Record on Form HUD-5379 the meeting and issues raised. Significant concerns of any party should be presented by memorandum through the Production Branch Chief to the Director, Multifamily Housing.

3. Monthly meetings may also be used to resolve equal opportunity and labor disputes. When such disputes are known, the HUD Labor Relations and Equal Employment Officers must be invited to attend.

3-4. INSPECTOR'S DUTIES. The inspector is the field representative of HUD, not a superintendent for the contractor nor "clerk of the works" for the owner or architect. The inspector, as HUD's agent, must endeavor in a tactful, helpful and courteous manner to obtain construction which conforms to the drawings, specifications, and sound construction

4460.1 REV-2

- (3-4) practice within the scope of the contract. The inspector is factual and explicit in all statements in reporting and recording significant construction developments when observed.
- A. Orientation. Upon assignment to a project, the Inspector studies the drawings and specifications and becomes familiar with the conditions at the site. If, during this examination or during construction, any nonconformity with HUD requirements not covered by the contract documents or site conditions not considered in the design are found, they are reported by memorandum through the Production Branch Chief to the Director, Multifamily Housing, The Director, Multifamily Housing, depending on the nature of the item, may attempt to persuade, but cannot require the sponsor and architect to amend the contract documents to correct the condition.
 - B. Facilities. The contractor must furnish the Inspector with enclosed working space that is acceptable to HUD. Adequate, but not elaborate, facilities should be required as soon as actual construction begins at the site. (See the Construction Contract.)
 - C. Inspections. The Inspector shall make at least two job site visits each month. Additional visits may be necessary due to the nature of the project. The frequency of inspection should assure reasonable continuity and recognize the size and character of the project, the speed with which construction is progressing and the quality of work on the project. Visits should be scheduled to observe major construction operations without neglecting lesser operations. Sufficient time must be allotted to each visit to make a complete inspection.
 1. The major functions during inspection are to: evaluate the construction supervision of the contractor and contract administration of the architect; report on occupancy, delays disputes and changes; report noncompliances with the contract documents observed by the inspector and/or the supervisory architect; determine that the amounts requested by the contractor and recommended by the architect for payment are reasonable; conduct employee wage interviews; and report on labor and EEO compliance.

- (3-4) 2. Each inspection shall be recorded on a HUD Representative's Trip Report, Form Sub-5379, in accordance with Reference (1).
3. An identity of interest between the contractor and owner may have an adverse effect upon the architect's ability to act independently in administering the construction contract. In such cases, the Inspector must reach conclusions in regard to the construction without assistance from the architect or reference to the architect's log. Apparent errors, omissions, and unsatisfactory construction are reported directly to the contractor rather than through the architect. After completion of the inspection, the Inspector will notify the architect of any adverse findings.
- D. Start of Construction. The Inspector will report on Form HUD-5379 HUD Representative's Trip Report, the date of initial construction start and the date of the start of permanent construction.
1. The date of the initial construction start, used for recording and reporting purposes, is the "start of construction" as used in connection with labor standards and prevailing wage requirements. This is defined as the beginning of initial site clearance and preparation, provided these activities are pursued diligently and are followed, without appreciable delay, by other construction activities. (See HUD Handbook 1344.1 REV-1, Federal Labor Standards, reference (6) of the Foreword for requirements relating to labor standards.)
2. The date recorded as the start of permanent construction, used for the purpose of determining the earning of the inspection fee, will correspond to the first day that permanent on-site building elements were put into place, such as footing and/or foundations, piling, utility lines, etc.
3. While excavation is an integral part of foundation work, it does not constitute a start of permanent construction.

- (3-4) E. Unified Report. At the beginning of construction, the Inspector should consult with the Design Representative and the Production Branch Chief in regard to the need for inspection of the project by HUD technical specialists. Any differences of opinion between the Inspector and the technical specialist in regard to project construction will be resolved by the Production Branch Chief. The Inspector submits a

unified inspection report to the architect.

- F. Shop Drawings and Other Data. During the Construction Period, the Inspector checks whether shop drawings are being submitted by the contractor for approval of the architect as required by the AIA General Conditions of the Contract. Upon request by the architect or the Inspector, the contractor will make available copies of tests, certifications and any other data required by the contract documents.
- G. Offsite Fabricated Construction. If offsite fabricated construction components are involved, the Inspector discusses with the Production Branch Chief through the Team Leader the need for inspection at the factory to determine acceptability. If the manufacturing facilities are outside of the jurisdiction of the Field Office and inspection is essential, the Production Branch Chief submits drawings and specifications which are pertinent, together with a request to the Director, Multifamily Housing, to have the inspection made by the Field Office located near the factory. The Director, Multifamily Housing, will then communicate with Headquarters, Office of Insured Multifamily Housing Development, and make the request.
- H. Distribution. These instructions are written as though an architect administers the construction contract. If an architect is not required for contract administration, or if an identity of interest exists between the owner and the contractor, where these instructions require the HUD Inspector to submit findings to the architect, they are submitted to the contractor.
- I. Work Stoppage. The HUD Inspector will report to the Production Branch Chief on Form HUD-5379 any work stoppage on a project being financed with insured advances unless such stoppage is

12/95

Page 3-8

4460.1 REV-2

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due to inclement weather or other similar reasons. If known to the Inspector, the reason for the work stoppage should be stated and also when resumption of construction is anticipated.

- J. Occupancy. The HUD Inspector completes the portion, "FHA Inspection Report," of Form FHA-2485, Permission to Occupy, when submitted. This Form is used to request permission to rent or occupy specific living units, commercial or other space. The Form may be submitted at any time, but units and spaces may not be occupied prior to submission.
 - 1. Occupancy prior to the execution of Form FHA-2485, Permission to Occupy, will be reported to the Director, Multifamily Housing, by written memorandum.
 - 2. The Inspector will also include on the HUD Representative's Trip Report, Form HUD-5379, the number of units occupied prior to approval, as well as the date occupancy took place.

K. Additional Duties. In addition the Inspector:

1. Advises the architect administering the construction contract on HUD requirements.
2. Reviews the architect's job log.
3. Reviews copies of the architect's decisions.
4. Reports on project construction progress to the Production Branch Chief on Form HUD-5379.
5. Notifies the architect, and the contractor if an identity of interest exists between the owner and the contractor, as soon as possible if it is determined that there are any essential variations in the cost of the work installed, materials stored and the request for construction advances recommended by the architect.
6. Completes wage data sheet, Record of Employee Interview, Form HUD-11, in duplicate, in connection with wage and labor compliance. (See reference (6) of the Foreword for instructions.)

L. Construction Record. From the initial construction start through final inspection, the Inspector shall be responsible for maintaining a record of construction.

4460.1 REV-2

(3-4) The record should also include minutes of the preconstruction conference as well as reports of required guarantee inspections. The Inspector shall initiate a record binder when the Production Branch Chief first assigns the project or may elect to expand the project record binder to include inspection reports. All forms, reports, decisions and documents relevant to construction or inspection reporting shall be recorded in the binder in chronological order. The journal shall be on the left side of the binder and forms and documents on the right. The forms and documents listed below shall be included in the Construction Inspection Record Binder, when applicable.

1. Drawings and specifications: Sets 1, 2, and 3 referenced in journal though filed elsewhere. (Record storage location of set 1 and use of 2 and 3).
2. Offsite drawings and specifications. (Referenced in journal).
3. Construction Contract, Form [HUD-92442](#) or 92442A.
4. Owner-Architect Agreement.
5. Progress Schedule.
6. Contractor's and/or Mortgagor's Cost Breakdown, Form FHA 2328.

7. HUD Representative's Trip Reports, Form HUD-5379.
8. Contractor's Requisition, Form HUD-92448.
9. Change Orders Form HUD-92437, AIA G710, and/Architect's Supplemental Instruction or equivalent.
10. Letters, memoranda, notes, and worksheets.
11. Journal of Architectural Actions (If separate binder).
12. Surveyor's Instructions and Report, Form HUD-92457 (Final and others if requested).
13. Permission(s) to Occupy, Form FHA-2485.

12/95

Page 3-10

4460.1 REV-2

- (3-4) 14. Record of established escrow including amounts escrowed, a complete list of unfinished construction items, record of call back inspections and recommendations for monies to be released.
- 3-5. PROJECTS INSURED ON COMPLETION. The inspector reports the percentage of completion of the project on Form HUD- 5379 at the end of each month. This percentage is an approximation for general information and is not used for disbursement.
- 3-6. PROJECTS HAVING INSURED ADVANCES.
 - A. The contractor requests Payment on Form HUD-92448, Contractor's Requisition.
 - B. The architect determines amounts due by job site observation of acceptable work. (The inspector makes the determination if there is no architect.)
 - C. The inspector checks the architect's determination using Form FHA 2328, Schedule of Values, and trade item cost breakdowns (guides) to assure amounts are reasonable for acceptable work and that funds remain for unacceptable and incomplete work.
 - D. If. the architect or inspector do not agree with the requisitions, the inspector modifies the trade item amounts in Column C of Form HUD-92448 and explains why in the inspector's trip report, Form HUD-5379.
- 3-7. PAYMENT FOR INVENTORY.
 - A. Materials stored on-site.
 1. The contractor requests payment on Form HUD-92448 and a submits an inventory of uninstalled quantities and costs with supporting invoices.
 2. The architect determines amounts due.
 3. The inspector spot checks count, determines storage

is acceptable, and assures amounts are reasonable for approval.

- B. Components stored offsite (see Handbook 4430.1 REV 1, Reference (8) of the Foreword).

Page 3-11

12/95

4460.1 REV-2

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 - 1. The contractor requests payment on Form HUD-92448 with a supporting invoice itemizing components.
 - 2. The architect certifies the components meet contract requirements for payment.
 - 3. The inspector checks the invoice and certificate, and approves payment after assuring funds remain for transportation to the site and erection.

3-8. SURVEYS must be by a licensed surveyor and show the exact location of on-site improvements, including utility lines and easements.

- A. The contractor must give the owner and HUD surveys.

- 1. At anytime the owner requires, and
- 2. When construction is complete.

NOTE: (1) and (2) are construction contract requirements. Only (2) is applicable to commitments to insure upon completion.

- B. The inspector when uncertain of the location of construction or stored materials in relation to property lines or easements may ask the architect to require a survey with the next contractor's requisition.

- C. If encroachments are found, the inspector must notify the Director, Multifamily Housing, through the Production Branch Chief by memorandum explaining the conditions. (Encroachments may jeopardize the entire property as security for an insured mortgage.)

3-9. OFFSITE INSPECTION. The inspector checks all offsite construction for conformity with the terms of the contract and reports progress of work by percentages on Form HUD-5379.

3-10. ARCHITECT'S DUTIES IN ADMINISTERING CONSTRUCTION CONTRACT

- A. Provide services in accordance with the Owner-Architect Agreement.
- B. Have no identity of interest with the owner or contractor (See paragraph 1-5 of this Handbook).

12/95

Page 3-12

4460.1 REV-2

- (3-10) C. Procure construction in accord with the contract documents.
1. Restrict materials, products and equipment to those specified.
 2. Restrict all deviations to those substantially consistent with the original design concept including form, color, and texture.
 3. When arriving at the net amount due on every requisition, compare the cost of the work and materials with the cost to complete the project. Current and previous payment must relate to the total cost for completion.
 4. Restrict substitution of items of a different design or size from those specified to those which are equivalent in utility (i.e., durability, quality, and ease of maintenance).
 5. Restrict substitution of any material differing in composition or appearance from the one specified to one which is equivalent in its attributes (i.e., character quality, durability and ease of maintenance)
 6. Keep a log on the site which is readily available to the owner and HUD representatives.

- D. The architect administering the construction contract is responsible for reporting in writing the results of periodic visits to the construction site. The architect's log should provide information regarding assessment of the progress of the work and a record of the actions taken to insure that the work is being accomplished in the best interests of all the parties.
1. The American Institute of Architects (AIA) Document G711, Architect's Field Report, may be used for the log.
 2. A log of each visit should show as a minimum the following:
 - a. Date of inspection;
 - b. HUD project identification and location.

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- c. Time, weather, and temperature range.
 - d. Estimated percent of completion.
 - e. Work in progress and conformance with the contractor's progress schedule.
 - f. Persons present at work.

- g. Observations and items to verify.
- h. Information or action required.
- i. Firm name and signature.

3-11. ARCHITECT'S ADEQUACY. The provision for the architect's administration of the construction contract is covered by the Owner- Architect Agreement and by the General Conditions of the Contract for Construction, AIA Document A201. It is the responsibility of the HUD Inspector to determine the adequacy of the architect's administration. The determination of adequacy will not be based on the number of visits or the length of time spent by the architect on the job but by construction that complies with the contract documents as a result of the architect's observation.

- A. Deficient Administration. If the architect does not report all observed non-compliances with contract documents and unacceptable performances by the contractor and exploit all avenues to obtain compliance with the contract, then the architect's administration of the construction contract will be considered deficient. The architect will not be responsible for actual construction, construction means, methods, techniques or other related responsibilities of the contractor. However, on the basis of on-site observation as the owner's representative, the architect must keep the owner and HUD informed of the progress of the work and endeavor to guard the owner and HUD against defects and deficiencies in the construction.
- B. Reasons for Termination of Services. Inadequate performance, undue delay, misrepresentation or failure to act on the part of the architect or associates and employees shall be reason for the termination of the architect's services on the project and 'may adversely affect the firm's acceptability on future projects.

12/95

Page 3-14

4460.1 REV-2

- (3-11) C. Field Office Actions. The HUD Inspector shall bring to the attention of the architect specific areas in which services are considered deficient. Sufficient time and appropriate assistance shall be given to obtain necessary compliance.
 - 1. When the architect's performance is first observed as deficient, in addition to the HUD Representative's Trip Report, Form HUD-5379, the Inspector shall also prepare a written memorandum to the Production Branch Chief regarding the deficiency advising of any planned actions or assistance. The memorandum should recommend that future requests for architectural inspection fees be disallowed until performance improves to an acceptable level.
 - 2. An immediate follow-up by the Production Branch Chief

is always required. Conferences with the Inspector and the architect should be arranged and a target date established for the architect to obtain compliance. The Production Branch Chief shall inform the Field Office Director, Multifamily Housing, of current problems and of established target dates for corrections. Deficiencies related to misrepresentation, undisclosed identity of interest and known illegal kick backs should be immediately referred to the Field Office Counsel with a copy to the Field Office Director, Multifamily Housing. All actions by the Field Office shall be clearly documented.

- D. Request for Contract Termination. When compliance with the contract cannot be obtained within thirty (30) days, the Field Office Director, Multifamily Housing, shall request termination of the architect's contract in accordance with the provisions of the Owner-Architect Agreement. Upon termination, the architect shall be entitled to only the prescribed portion of the fee determined by the percentage to which construction was completed on the date that the architect was removed from the project. The Field Office Director, Multifamily Housing, has full authority to secure acceptable performance but may seek advice from Headquarters.

4460.1 REV-2

- (3-11) E. Contract Termination. The sponsor (owner) will hire an independent architect who is acceptable to all parties to continue the administration of the project construction documents. The HUD Inspector does not assume the architect's responsibility.

3-12.CONSTRUCTION CHANGES.

A. Policy

1. Changes must be accurately reported and accounted for pursuant to U.S. Criminal Code, Section 1010, Title 18, U.S.C.
2. Procedures for changes outlined here are not to be used to alter the intent of contract documents or to lower the quality or value of a project.
3. HUD does not initiate any change but may require them as a condition of approval in connection with a change a proposed by the architect, mortgagor, or contractor.
4. All changes must be approved in writing by the mortgagee and HUD before they are made. (For exception in emergencies see subparagraph 3-12C below.)
5. Any change that is made without formal approval, even though tentatively agreed to as technically acceptable, must be recorded by the HUD Inspector as a

noncompliance. This stands until the Form HUD-92437 is approved, and also affects payment of advances, as explained in subparagraph H.

- B. General Procedure. (For specific situations, see the appropriate subject heading).

NOTE: For projects involving insurance upon completion, references here to "contract requirements" or "contract documents" include the conditions and provisions of the commitment if there is no construction contract.

1. Contemplated changes are first discussed among the architect, contractor, owner, and HUD inspector.

12/95

Page 3-16

4460.1 REV-2

- (3-12) 2. HUD Inspector makes a preliminary determination of technical acceptability before the change is submitted for approval of mortgagee and HUD Field Office. (This neither commits HUD to the change, nor relieves the architect or the contractor of having to submit the Form described below.)
3. All on-site changes to construction documents and requests for time extensions must be submitted for approval on Form HUD-92437, Request for Construction Changes - Project Mortgages. (Extension requests must not include other types of changes on the Form. For required documentation see Item 3-12D, below.)
 - a. Required attachments for physical changes are:
 - (1) Appropriate modifications to the contract drawings and specifications
 - (2) Architect's statement that the change:
 - (a) Conforms to the original intent of the contract drawings and specifications, or
 - (b) Is necessary to overcome an impediment to construction, or is an addition desired by the owner.
 - b. The Form must be signed by:
 - (1) Mortgagor
 - (2) Contractor
 - (3) Architect (if an Owner-Architect Agreement is in effect)

(4) Authorized official for the mortgagee

4. All offsite changes must be:
 - a. Requested in a letter or other format acceptable to the Field Office, but not Form HUD-92437.
 - b. Documented and processed the same as on-site changes.

Page 3-17

12/95

4460.1 REV-2

- (3-12) 5. The HUD Field Office must promptly review all request submitted as described in 3 and 4, above. (Delays could affect construction or contractor requisitions.)
 - a. Processing should normally take no more than 5 workdays and is directed by the Production Branch Chief through the Team Leader.
 - b. All construction change requests must be reviewed, signed, and dated personally by the Production Branch Chief, deputy, or person designated to act in the absence of the Production Branch Chief. Facsimile or signature stamps are specifically prohibited.

C. Emergency Changes.

1. The only time a change can be made without prior written approval of the mortgagee and HUD is in emergencies that:
 - a. Endanger life or property or
 - b. Salt construction.
2. However, even then, the architect must notify the mortgagee and HUD and, as soon as possible, submit a Form HUD-92437.

D. Extensions in Construction Time. (For request procedure, see subparagraph 3- 12B above.)

1. Justified only by circumstances beyond contractor's control, such as:
 - a. Strikes.
 - b. Unusual weather conditions slowing construction. (Must be unusual for the area or for the season.)
 - c. Local authorities stopwork orders that aren't related to poor workmanship or noncompliance

with contract documents.

- d. Civil disturbances.
- e. Construction damage from natural disasters.

12/95
4460.1 REV-2

Page 3-18

- (3-12) f. Need to redesign and/or renegotiate contracts due to unforeseen job conditions. (Changes in construction usually don't necessitate extensions except in early construction stage.)
- 2. Unjustified and rejected by Field Office when General contractor or subcontractor don't properly perform or schedule work or provide necessary available manpower to complete the job.
- 3. Required Documentation. Within 21 days of the date a construction delay occurs, the contractor must document it with the architect and include:
 - a. Date of occurrence and number of calendar days it covered.
 - b. Effect on construction progress.
 - c. Cause of the delay. If the cause is of continuing nature, submit the extension request when the cause ceases, but still record the initial date of occurrence and, its effects on construction.
 - d. Extension request must also include written consent of the surety and conform to AIA Document A201, Article 8.3.
- E. Changes to Items of Delayed Completion. These are the only construction contract changes that the Field Office can approve after project completion. All others require Headquarter's consent.
- F. Other Changes. These changes necessitated by error, omission, or negligence of architect, owner, or contractor must be so recorded by architectural staff, Design Representative or Inspector, on Form HUD-92437.
 - 1. Record the reason for the determination.
 - 2. Indicate that the cost effect must not be included in the insured mortgage amount.
- G. Voiding Changes. If an approved change is not made, it must be nullified by a Form HUD-92437 restoring the drawings and specifications to the status prior to the change request or to a status acceptable to HUD.

4460.1 REV-2

- (3-12) H. Unapproved Changes. When there are unapproved changes in the construction, the HUD Inspector must modify the amount of the contractor's requisition to cover:
1. The noncompliance (any change that has not formally been approved on Form HUD-92437); and
 2. Construction removal that may be required if the unapproved change does not receive approval.
- 3-13. ARCHITECT'S SUPPLEMENTAL INSTRUCTIONS. The architect administering the construction contract may issue field orders using AIA Document G710, Architect's Supplemental Instructions, or a similar form.
- A. The architect must send a copy of each supplemental instruction to HUD though prior approval by the mortgagee and HUD is not required.
 - B. Supplemental instructions must not involve a change in contract sum or contract time.
 - C. Uses of supplemental instructions.
 1. Directive to contractor to bring construction into compliance with the contract documents.
 2. Interpretation or clarification of the contract drawings and specifications.
 3. Order minor changes in the work, not involving cost.
 4. Accept specified equivalent.
 5. Record other "field orders" that are not construction changes.
- 3-14. REPORTING SERIOUS CONSTRUCTION PROBLEMS. Field Offices must identify and report to Headquarters, Office of Multifamily Housing Development, all multifamily insured and direct loan projects under construction or in the guarantee period that have serious construction defects or other serious construction related problems.

NOTE: This information will be used to reply to inquiries, as an "early warning system" to troubled projects, and to determine if assistance to the Field Office is necessary.

12/95

Page 3-20

4460.1 REV-2

- (3-14) A. The Inspector must identify all construction problems that may delay completion or lead to foreclosure assignment of the mortgage to HUD on Form HUD-5379, inspection reports.

- B. The Production Branch Chief must prepare a referral memorandum to Headquarters for the signature of the Director, Multifamily Housing:
1. Work stops for 20 calendar days.
 2. Contractor abandons the job.
 3. Contractor, owner or architect changes during construction.
 4. Correction of any construction deficiency is not started within 30 days of the first notification to the contractor.
 5. Contractor can't or won't correct any construction defect or latent defect.
- C. The referral memorandum must include full details of the construction related problem. Include at least:
1. A copy of the HUD Representative's Trip Report, Form HUD-5379, which identifies the problem.
 2. The Inspector's opinion of the cause and recommendation for correction.
 3. A report of action by the Product Branch Chief and/or other Field Office staff.
 4. A report of actions by the owner, architect, contractor, mortgagee and bonding company (when appropriate).
 5. A Plan of Action and recommendations of the Asset Management Branch if assigned to HUD during construction or foreclosure initiated by the mortgagee.
- D. Only the initial report is required unless the Director, Multifamily Housing, requests further action or follow-up by the Field Office.

- 3-15. SUBSTANTIAL COMPLETION. The architect date and sign the certification on Form FHA-2485, Permission to Occupy, that part or all the work is sufficiently complete, in accordance with the contract documents, and may be occupied for the use intended.
- A. The contractor submits a punch list of items to be completed or corrected to the architect when the work is ready for occupancy. (See Article 9.8, AIA Document A201.)
 - B. The architect inspects, checks the punch list and modifies if necessary, and determines when the work is substantially

complete. (Punch list items do not preclude occupancy.)

- C. The inspector verifies on Form FHA-2485 the date when the work is suitable for occupancy.

3-16. FINAL INSPECTION. The architect and HUD inspector, together or individually, make the final inspection upon written request of the contractor. The inspector's final inspection report date becomes the date of completion if endorsed by the Production Branch Chief. Copies of the final inspection report are not distributed until after concurrence by the Production Branch Chief.

- A. The architect determines that all punch list items have been completed unless they are beyond the control of the contractor. (Items of delayed completion.

- B. The Inspector prepares the final inspection report on Form HUD-5379.

- 1. Reports on-site construction complete though there may be items of delayed completion.
- 2. Lists and describes any items of delayed completion.
- 3. Lists any offsites and reports percentage of completion for each.

- C. Production Branch Chief checks final inspection report.

- 1. If unacceptable requires reinspection. (Report is not considered final.)
- 2. If acceptable, endorses the report as follows:

12/95

Page 3-22

4460.1 REV-2

- (3-16) a. "Construction acceptably completed." (If there are items of delayed completion, add, "subject to escrow of funds to assure completion of listed items of delayed completion.")
- b. "All offsite sewer, water, electrical and gas facilities are complete, connected and operable, and safe, adequate, all-weather ingress and egress provided." (If offsite items incomplete, adds, "except as stated at the time of inspection.")
- c. Production Branch Chief dates and signs the endorsement.
- 3. Prepares memorandum to the Director, Multifamily Housing, transmitting the final inspection report.
 - a. States date of completion (date of final inspection)

- b. Lists incomplete off site work.
- c. Lists items of delayed completion and estimate of cost of complete for each item.

Note: Escrow must not be less than 150 percent of the estimate to complete and must not exceed 2 percent of the mortgage.

3-17. GUARANTEE INSPECTIONS. A minimum of two inspections are made of all work to discover and require correction of latent defects (defective or nonconforming work not observed during construction) within one year of the date of substantial completion.

- A. The Production Branch Chief schedules guarantee inspections.
 - 1. First must be within nine months of final inspection and should provide for inspection of the entire project.
 - 2. Others may be necessary to assure inspection of seasonal items such as heating and landscaping.

Page 3-23

12/95

4460.1 REV-2

- (3-17) 3. The last must be not later than the tenth day of the twelfth month to check previously reported defects and correction, and discover any additional defects.
- B. The Inspector reports each guarantee inspection on HUD Form 5379, HUD Representative's Trip Report.
 - 1. If work is acceptable, state, "All observable work acceptable at the time of this inspection."
 - 2. If unacceptable, list latent defects.
 - a. Describe each item.
 - b. Recommend method of correction.
 - c. Estimate current cost of correction.
 - 3. Check any Item of Delayed Completion and list completed and uncompleted items under a separate heading.
 - 4. Note any improper maintenance or casualty damage under a separate heading.

12/95

Page 3-24